



In the opinion of Drummond Woodsum & MacMahon, Portland, Maine, Bond Counsel ("Bond Counsel"), and assuming compliance with certain tax covenants, under existing statutes, regulations and court decisions, interest on the Bonds (as defined below) is excludable from the gross income of the owners thereof for purposes of federal income taxation pursuant to Section 103 of the Internal Revenue Code of 1986, as amended (the "Code"), and is not a specific item of tax preference item purposes of the federal alternative minimum tax imposed on individuals. Such interest is taken into account in determining adjusted current earnings for calculating the alternative minimum tax imposed on certain corporations for taxable years that began prior to January 1, 2018. Bond Counsel is also of the opinion that pursuant to Title 30-A, Section 5772(9) of the Maine Revised Statutes, as amended, the interest paid on the Bonds is exempt from income tax within the State of Maine (the "State") under existing statutes, regulations and judicial decisions. **The Town will designate the Bonds as "qualified tax-exempt obligations" for purposes of Section 265(b)(3) of the Code.** See "THE BONDS—TAX MATTERS" and "APPENDIX B" herein.

TOWN OF HARPSWELL, MAINE
\$3,500,000
2018 GENERAL OBLIGATION BONDS
Dated: Date of Delivery
Due: December 15, as shown below

Year of Maturity	Amount	Interest Rate	Yield or Price	Year of Maturity	Amount	Interest Rate	Yield or Price
2021	\$195,000	5.00%	1.77	2030	\$195,000	3.00%	2.88 ^(†)
2022	195,000	5.00	1.94	2031	195,000	3.00	2.97 ^(†)
2023	195,000	5.00	2.07	2032	195,000	3.00	3.05
2024	195,000	3.00	2.16	2033	195,000	3.00	3.10
2025	195,000	3.00	2.26	2034	195,000	3.00	3.15
2026	195,000	3.00	2.37	2035	195,000	3.125	3.20
2027	195,000	3.00	2.48	2036	195,000	3.125	3.25
2028	195,000	3.00	2.53	2037	190,000	3.125	3.30
2029	195,000	3.00	2.78 ^(†)	2038	190,000	3.25	3.35

The Town of Harpswell, Maine 2018 General Obligation Bonds (the "Bonds") will be issued as fully-registered certificates without coupons and, when issued, will be registered in the name of Cede & Co., as Bondowner and nominee for The Depository Trust Company, New York, New York ("DTC"). DTC will act as securities depository for the Bonds. Purchases of the Bonds will be made in book-entry form, in the denomination of \$5,000 or any integral multiple thereof. Purchasers will not receive certificates representing their interest in Bonds purchased. See "THE BONDS—BOOK-ENTRY-ONLY SYSTEM" herein. Principal and interest on the Bonds will be paid to DTC by U.S. Bank National Association, Boston, Massachusetts, as Paying Agent. Interest on the Bonds will be payable on December 15, 2018 and semi-annually on each June 15 and December 15 thereafter until maturity, or redemption prior to maturity.

The legal opinion of Bond Counsel will be provided to the original purchaser and will indicate that the Bonds are valid general obligations of the Town of Harpswell, Maine (the "Town") and, unless paid from other sources are payable as to both principal and interest from ad valorem taxes that are subject to limitation unless certain procedural requirements under Title 30-A, Section 5721-A of the Maine Revised Statutes, as amended, are met, in which case such ad valorem taxes may then be levied, without limit as to rate or amount upon all the property within the territorial limits of the Town and taxable by it (see "THE BONDS—SOURCE OF PAYMENTS AND REMEDIES - Limitation on Municipal Property Tax Levy" herein), except to the extent that the Town may enter into an agreement under Title 30-A, Chapter 223, Subchapter V of the Maine Revised Statutes, as amended, to share its assessed valuation with another municipality and except to the extent that the Town establishes or has established development districts either as tax increment financing districts or affordable housing development districts pursuant to Title 30-A, Chapters 206 and former 207 (now repealed) of the Maine Revised Statutes, as amended, the captured tax increment of which may not be available for payment of debt service on the Bonds (see "TOWN FINANCES—TAX INCREMENT FINANCING DISTRICTS AND AFFORDABLE HOUSING DEVELOPMENT DISTRICTS" herein). The Treasurer has certified that the Town has no agreements under Title 30-A, Chapter 223, Subchapter V of the Maine Revised Statutes, as amended, to share assessed valuation with another municipality, or tax increment financing districts or affordable housing development districts pursuant to Chapter 206 of Title 30-A of the Maine Revised Statutes, as amended. The opinion will indicate that the enforceability of the obligations of the Town, including the Bonds, is subject to and may be limited by bankruptcy, insolvency, moratorium and other laws affecting the rights and remedies of creditors generally, and are subject to general principles of equity. The opinion will be dated and given on and will speak as of the date of original delivery of the Bonds to the original purchasers.

Bonds maturing on and before December 15, 2028 are not subject to redemption prior to their stated dates of maturity. Bonds maturing on and after December 15, 2029 are subject to redemption prior to their stated dates of maturity, at the option of the Town, on and after December 15, 2028 as more fully set forth herein. See "THE BONDS—OPTIONAL REDEMPTION PRIOR TO MATURITY" herein.

The Bonds are offered when, as and if issued, subject to the approval of legality by Drummond Woodsum & MacMahon, of Portland, Maine, Bond Counsel. It is expected that the Bonds in definitive form will be available for delivery to DTC on or about April 5, 2018.

Roosevelt & Cross, Incorporated And Associates

NOTE: ^(†) Priced at stated yield to the December 15, 2028 optional redemption date at a redemption price of 100% (see "THE BONDS—OPTIONAL REDEMPTION PRIOR TO MATURITY")

No dealer, broker, salesman or other person has been authorized by the Town or the Underwriter to give any information or to make any representations, other than those contained in this Official Statement, in connection with the offering of the Bonds, and if given or made, such information or representations must not be relied upon as having been authorized by any of the foregoing. This Official Statement does not constitute an offer to sell or the solicitation of an offer to buy, nor shall there be any sale of the Bonds by any person in any jurisdiction in which it is unlawful for such person to make such offer, solicitation or sale. The information set forth herein has been obtained from the Town and other sources which are believed to be reliable, but is not guaranteed as to accuracy or completeness by, and is not to be construed as a representation by, any party other than the Town. The information and expressions of opinion herein are subject to change without notice, and neither the delivery of this Official Statement nor any sale made hereunder shall, under any circumstances, create any implication that there has been no change in the condition or affairs of the Town since the date hereof.

THE BONDS HAVE NOT BEEN REGISTERED UNDER THE SECURITIES ACT OF 1933, AS AMENDED, IN RELIANCE UPON EXEMPTIONS CONTAINED IN SUCH ACTS. THE REGISTRATION OR QUALIFICATION OF THE BONDS IN ACCORDANCE WITH APPLICABLE PROVISIONS OF SECURITIES LAWS OF THE STATES IN WHICH THE BONDS HAVE BEEN REGISTERED OR QUALIFIED, AND THE EXEMPTION FROM REGISTRATION OR QUALIFICATION IN OTHER STATES, CANNOT BE REGARDED AS A RECOMMENDATION THEREOF. NONE OF THESE STATES NOR ANY OF THEIR AGENCIES HAVE PASSED UPON THE MERITS OF THE BONDS OR THE ACCURACY OR COMPLETENESS OF THIS OFFICIAL STATEMENT. ANY REPRESENTATION TO THE CONTRARY MAY BE A CRIMINAL OFFENSE.

The CUSIP numbers set forth in this Official Statement have been assigned by an independent company not affiliated with the Town and are included solely for the convenience of the holders of the Bonds. Neither the Town nor the Underwriter makes any representation with respect to the accuracy of such CUSIP numbers set forth in this Official Statement or undertakes any responsibility for the selection of the CUSIP numbers or their accuracy now or at any time in the future. The Town is not responsible for the selection or uses of the CUSIP numbers and no representation is made as to their correctness on the Bonds or as set forth in this Official Statement. The CUSIP number for a specific maturity of the Bonds is subject to change after the issuance of the Bonds and as a result of various subsequent actions including, but not limited to, a refunding in whole or in part of such maturity or as a result of the procurement of secondary market portfolio insurance or other similar enhancement by investors that may be applicable to all or a portion of certain maturities of the Bonds.

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**CERTIFICATE
CONCERNING OFFICIAL STATEMENT**

The information contained herein has been prepared by the Town of Harpswell, Maine (the “Town”) with the assistance of Moors & Cabot, Inc., its Municipal Advisor, from the records of the Town and from various other public documents and sources which are believed to be reliable. There has been no independent investigation of such information by the Municipal Advisor or by Drummond Woodsum & MacMahon, Bond Counsel, and such information is not guaranteed as to accuracy or completeness and is not intended to be a representation by the Municipal Advisor or Bond Counsel.

This Official Statement is not to be construed as a contract or agreement between the Town and the purchasers or holders of any of the Bonds. Any statements made in this Official Statement involving matters of opinion, whether or not expressly so stated, are intended merely as opinion and not as representations of fact. The information and expressions of opinion herein are subject to change without notice and neither the delivery of this Official Statement nor any sale made hereunder shall, under any circumstances, create any implication that there has been no change in the affairs of the Town or its agencies and authorities, since the date hereof.

To the best of the knowledge and belief of the Treasurer of the Town this Official Statement does not contain any untrue statement of a material fact and does not omit to state any material fact necessary to make the statements made herein, in the light of the circumstances under which they were made, not misleading, subject to the condition that while information in the Official Statement obtained from sources other than the Town is not guaranteed as to accuracy, completeness or fairness, she has no reason to believe that such information is materially inaccurate or misleading. A certificate to this effect, with such if any corrections, changes and additions as may be necessary, will be signed by the Treasurer and furnished at the closing.

This Official Statement is in a form “deemed final” by the issuer for purposes of Securities and Exchange Commission’s Rule 15c2-12(b) [17 C.F.R. §240.15c2-12(b)] except for the omission from the Preliminary Official Statement of such information as is permitted by such Rule.

Marguerite M. Kelly
Treasurer
Town of Harpswell, Maine

**OFFICIAL STATEMENT
TOWN OF HARPSWELL, MAINE
\$3,500,000
2018 GENERAL OBLIGATION BONDS**

This Official Statement is provided for the purpose of presenting certain information relating to the Town of Harpswell, Maine (the “Town” or “Harpswell”) in connection with the sale of its 2018 General Obligation Bonds (the “Bonds”).

THE BONDS

DESCRIPTION OF THE BONDS

The Bonds will be issued only as fully-registered bonds without coupons, one certificate per maturity, and, when issued, will be registered in the name of Cede & Co., as nominee for The Depository Trust Company, New York City, New York (“DTC” or the “Securities Depository”). DTC will act as the securities depository for the Bonds. Purchases of the Bonds will be made in book-entry form, in the denomination of \$5,000 or any integral multiple thereof. The Bonds will be dated April 5, 2018 and will bear interest (accrued on the basis of a 360-day year with twelve 30-day months), payable on December 15, 2018, and semi-annually thereafter on June 15 and December 15 of each year until maturity, or redemption prior to maturity. It is expected that the Bonds will be available for delivery at DTC on or about April 5, 2018. The Bonds will mature as follows:

<u>Amount</u>	<u>Dec. 15,</u>	<u>CUSIP</u>	<u>Amount</u>	<u>Dec. 15,</u>	<u>CUSIP</u>
\$195,000	2021	413589AB8	\$195,000	2030	413589AL6
195,000	2022	413589AC6	195,000	2031	413589AM4
195,000	2023	413589AD4	195,000	2032	413589AN2
195,000	2024	413589AE2	195,000	2033	413589AP7
195,000	2025	413589AF9	195,000	2034	413589AQ5
195,000	2026	413589AG7	195,000	2035	413589AR3
195,000	2027	413589AH5	195,000	2036	413589AS1
195,000	2028	413589AJ1	190,000	2037	413589AT9
195,000	2029	413589AK8	190,000	2038	413589AU6

Principal of and interest on the Bonds will be payable in Clearing House Funds to DTC, or its nominee, as registered owner of the Bonds by U.S. Bank National Association, Boston, Massachusetts, as paying agent (the “Paying Agent”). Transfer of principal and interest payments to Participants of DTC will be the responsibility of DTC. Transfer of principal and interest payments to Beneficial Owners (as hereinafter defined) will be the responsibility of such Participants and other nominees of Beneficial Owners. The Town will not be responsible or liable for maintaining, supervising or reviewing the records maintained by DTC, its Participants or persons acting through such Participants. See “THE BONDS - BOOK-ENTRY-ONLY SYSTEM” herein.

OPTIONAL REDEMPTION PRIOR TO MATURITY

Bonds maturing on or before December 15, 2028 are not subject to optional redemption prior to their stated dates of maturity. Bonds maturing on and after December 15, 2029 are subject to redemption prior to their stated dates of maturity, at the option of the Town, on and after December 15, 2028, as a whole or in part at any time, in such order of maturity as the Town, in its discretion, may determine at a price of par (100% of original stated amount of value at maturity), together with interest accrued and unpaid to the redemption date, if any.

GENERAL PROVISIONS REGARDING REDEMPTION OF THE BONDS

Notice of Redemption

In the case of every optional redemption of the Bonds, the Town shall cause notice of such redemption to be given to the registered owner of any Bonds designated for redemption in whole or in part, at such address as shall appear upon the registration books kept by the Paying Agent by mailing a copy of the redemption notice by first class mail not less than thirty (30) days prior to the redemption date. Any notice mailed shall be conclusively presumed to have been duly given, whether or not the Bondholder actually receives notice. The failure of the Town to give notice to a Bondholder or any defect in such notice shall not affect the validity of the redemption of any Bond of any other owner.

Each notice of redemption shall specify the date fixed for redemption, the place or places of payment, that payment will be made upon presentation and surrender of the Bonds to be redeemed, that interest, if any, accrued to the date fixed for redemption will be paid as specified in said notice, and that on and after said date interest thereon will cease to accrue. If less than all the Bonds outstanding are to be redeemed, the notice of redemption shall specify the numbers of the Bonds or portions thereof (in denominations of \$5,000 or any integral multiple thereof) to be redeemed.

The Town shall notify the Securities Depository (see "THE BONDS - BOOK-ENTRY-ONLY SYSTEM" herein) in the same manner as the Bondholders, with a request that the Securities Depository notify its Participants who in turn notify the beneficial owners of such Bonds. Any failure on the part of the Securities Depository, or failure on the part of a nominee of a Beneficial Owner (having received notice from the Town, a Participant or otherwise) to notify the Beneficial Owner so affected, shall not affect the validity of the redemption of such Bond.

Bonds Due and Payable on Redemption Date; Interest Ceases to Accrue

On any redemption date, the principal amount of each Bond to be redeemed, together with the premium, if any, and accrued interest thereon to such date, shall become due and payable. Funds shall be deposited with the Paying Agent to pay, and the Paying Agent is authorized and directed to apply such funds to the payment of the Bonds called for redemption, together with accrued interest thereon to the redemption date and redemption premium, if any. After such redemption date, notice having been given and funds deposited in the manner described above, then, notwithstanding that any Bonds called for redemption shall not have been surrendered, no further interest shall accrue on any of such Bonds. From and after such date of redemption (such notice having been given and funds deposited), the Bonds to be redeemed shall not be deemed to be outstanding.

Cancellation

All Bonds which have been redeemed shall be canceled by the Paying Agent and either destroyed by the Paying Agent with counterparts of a certificate of destruction evidencing such destruction furnished by the Paying Agent to the Town or returned to the Town at its request.

Partial Redemption of Bonds

Bonds or portions of Bonds to be redeemed in part shall be selected when held by a Securities Depository by lot and when not held by a Securities Depository by the Town by lot or in such other manner as the Town in its discretion may deem appropriate.

RECORD DATE; PAYMENT

The principal of the Bonds is payable upon surrender thereof at the principal Corporate Trust Office of the Paying Agent. Payment of the interest on the Bonds will be made to the person appearing on the registration books of the Paying Agent as the registered owner thereof at the close of business on the last day of the month preceding each interest payment date for the Bonds, and if such day is not a regular business day of the Paying Agent the next day preceding which is a regular business day of the Paying Agent, by check, wire or draft mailed to each registered owner at such person's address as it appears on the registration books, or at another address as is furnished to the Paying Agent in writing by the owner. Interest that is not timely paid or provided for shall cease to be payable to the registered owner as of the regular record date and shall be payable to the registered owner at the close of business on a special record date to be fixed by the Paying Agent.

AUTHORIZATION AND PURPOSE

The authority to issue the Bonds is granted under Title 30-A, Section 5772 of the Maine Revised Statutes; referendum approval of Article 36 (below) by the voters of the Town at its 2017 Annual Town Meeting held on March 11, 2017; and a resolution adopted by the Board of Selectmen at their meeting held on November 30, 2017 to provide funds to finance the demolition of the Mitchell Field pier and related costs (the "Project").

Article 36: "To see if the Town will vote to authorize the issuance of up to \$5,000,000 in general obligation bonds or notes for demolition of the Mitchell Field pier and related costs, including matching grant funds, all as determined to be appropriate by the Board of Selectmen, with the dates, maturities, denominations, interest rate(s) and other details of the bonds or notes to be determined by the Board of Selectmen, and to accept donations and/or grant funds that will reduce the amount borrowed for the project."

A portion of the proceeds of the Bonds will be used to refund, on a current basis, the outstanding portion of the Town's \$3,500,000 2017 General Obligation Bond Anticipation Notes dated December 12, 2017 and maturing on or before May 30, 2018, with the option to prepay, without any penalty, at any time prior to maturity, to provide funds to finance the Pier Project, on a temporary basis (the "BAN").

Bonds in the amount of \$3,500,000 will be issued to refund the BAN, provide funds for the Project, and to pay for contingencies, project management and engineering services, costs of issuance and BAN interest. The remaining amount of authorization for the Bonds is not expected to be issued.

THE PROJECT

Mitchell Field is a 119.3 acre Town-owned property with a half mile of waterfront, located on Harpswell Neck. The site included a marine fuel terminal constructed by the United States Navy in the 1950s to serve as a landing for tanker ships and barges delivering fuel destined for Naval Air Station, Brunswick. The Town acquired the property in 2001 from the United States Navy after the Fuel Depot closed in 1992. Prior to the acquisition, the Navy removed the fuel storage tanks and remediated the property.

In 2007, the Town Meeting adopted a Master Plan for the use and management of Mitchell Field. The plan envisions that the majority of the property will be used for open space and recreation, including water access and envisioned that the former Navy pier would be a joint use facility for both public recreational use and for marine business use. The marine business district allows a wide range of commercial uses including aquaculture, marinas, boat repair facilities, and/or functionally water dependent uses.

Removal of the pier will allow safe navigation in the area and it is expected to be a catalyst for redevelopment of the waterfront to complement recreational use and multi-use facilities.



Mitchell Field Pier

SOURCE OF PAYMENT AND REMEDIES

General Obligation Pledge

The Bonds are general obligations of the Town and their payment is not limited to a particular fund or revenue source. Municipalities in the State of Maine (the “State”) have the right to tax their inhabitants to pay municipal indebtedness. The Bonds are payable as to both principal and interest from ad valorem taxes that are subject to limitation unless the Town follows certain procedural requirements under Title 30-A, Section 5721-A of the Maine Revised Statutes in which case the Town has the power to levy such ad valorem taxes without limit as to rate or amount upon all the taxable property within its territorial limits (see “THE BONDS – SOURCE OF PAYMENT AND REMEDIES – Limitation on Municipal Property Tax Levy” herein), except to the extent that the Town may enter into an agreement under Title 30-A, Chapter 223, Subchapter V of the Maine Revised Statutes, as amended, to share its assessed valuation with another municipality, and except to the extent that the Town establishes or has established development districts as tax increment financing districts or affordable housing development districts pursuant to Title 30-A, Chapters 206 and former 207 (now repealed) of the Maine Revised Statutes, as amended, the captured tax increment of which may not be available for payment of debt service on the Bonds (see “TOWN FINANCES - TAX INCREMENT FINANCING DISTRICTS AND AFFORDABLE HOUSING DEVELOPMENT DISTRICTS” herein). The Treasurer has certified that no tax base sharing agreement now exists. The Town has not established tax increment financing districts, but may elect to designate development districts pursuant to Title 30-A, Chapter 206 of the Maine Revised Statutes, as amended, in the future, including the retention of a portion of the tax increment on the captured assessed value of the property in these districts to pay costs of the development project within the districts. There is no statutory provision for a lien on any portion of the tax levy to secure bonds or notes, or judgments thereon, in priority to other claims.

The Town is subject to suit on the Bonds. The Maine statutes provide that executions against a town shall be issued against the personal property of the residents of that town and real estate within its boundaries, whether or not owned by the town. Only town real estate not used for public purposes, however, is subject to such execution. In addition, the Maine statutes provide that the personal property of the residents and the real estate within the boundaries of any town may be taken to pay any debt of the town. There has been no judicial determination as to whether the statutory remedy of taking property of residents to satisfy debts of or judgments against, a municipality is constitutional under current due process and equal protection standards and Bond Counsel expresses no opinion thereon. There has been no judicial determination as to whether statutory remedies available against towns are applicable to cities and Bond Counsel expresses no opinion thereon.

Funds to meet Town expenses, including debt service, are not included in the tax levy to the extent they are expected to be met with other non-tax revenues. Amounts necessary to repay sums borrowed temporarily in anticipation of bonds or grants are similarly excluded because they would normally be expected to be paid from the anticipated bond proceeds or grants. Enforcement of a claim for payment of principal of or interest on bonds or notes would be subject to the applicable provisions of federal bankruptcy laws and to the provisions of statutes, if any, hereafter enacted by the Congress or the State Legislature extending the time for payment or imposing other constraints upon enforcement insofar as the same may be constitutionally applied. The Bonds are not guaranteed by the State.

Limitation on Municipal Property Tax Levy

Effective July 1, 2005, the Legislature enacted LD 1, codified in part as Title 30-A, Section 5721-A of the Maine Revised Statutes which, subject to certain procedural overrides, establishes a limit on municipal property tax levies. This limit is referred to as the "Property Tax Levy Limit", which is adjusted each year by a specified growth limitation factor. See "TOWN FINANCES - Property Tax Levy Limit" herein.

The growth limitation factor is the average personal income growth as defined by Title 5, Section 1531 of the Maine Revised Statutes, as amended, plus the property growth factor. The property growth factor is a percentage equivalent to a fraction established by a municipality whose denominator is the total valuation of the municipality, and whose numerator is the amount of increase in the assessed value of any real or personal property in the municipality that becomes subject to taxation for the first time, or taxes as a separate parcel for the first time for the most recent property tax year for which information is available, or that has had an increase in its assessed valuation over the prior year's valuation as a result of improvements to or expansion of the property. For municipalities that qualify as a result of a relatively larger percentage of personal property, personal property can be incorporated into the property growth factor calculation. In addition, a municipality is required to lower its Property Tax Levy in any year by an amount equal to net new funds provided by the State for existing services funded in whole or in part by the property tax levy.

The Town may increase the Property Tax Levy Limit by a majority vote by written ballot of the Town Meeting on a separate article that specifically identifies the intent to exceed the Property Tax Levy Limit.

In lieu of increasing the Property Tax Levy Limit, the Town by Town Meeting action may vote to exceed the Property Tax Levy Limit for extraordinary circumstances. Exceeding the Property Tax Levy Limit permits the property tax levy to exceed the Property Tax Levy Limit only for the year in which the extraordinary circumstance occurs and does not increase the base for purposes of calculating the Property Tax Levy Limit for future years. Extraordinary circumstances are circumstances outside the control of the Town and include:

- (1) Catastrophic events such as natural disaster, terrorism, fire, war or riot;
- (2) Unfunded or underfunded state or federal mandates;
- (3) Citizens' initiatives or other referenda;
- (4) Court orders or decrees; or
- (5) Loss of state or federal funding.

Extraordinary circumstances do not include changes in economic conditions, revenue shortfalls, increases in salaries or benefits, new programs or program expansions that go beyond existing program criteria and operation.

The Town does not expect that the Property Tax Levy Limit will have a material adverse effect on the Town's financial condition or on the ability of the Town to pay the principal of, and premiums, if any, and interest on the Bonds when due.

TAX MATTERS

The Bonds

The Internal Revenue Code of 1986, as amended (the "Code"), imposes certain requirements that must be met on a continuing basis subsequent to the issuance of the Bonds in order that interest on the Bonds be and remain excludable from gross income for federal income tax purposes pursuant to Section 103 of the Code. These requirements include, but are not limited to, requirements relating to the use, investment and expenditure of bond proceeds and the requirement that certain earnings be re-bated to the federal government. Failure of the Town to comply with such requirements may cause interest on the Bonds to be included in the gross income of the holders thereof for purposes of federal income taxation retroactive to the date of issuance of the Bonds, regardless of when such noncompliance occurs or is ascertained.

The Town will make certain representations with respect to the use of the proceeds of the Bonds and the Projects and will covenant (i) to comply with the provisions and procedures of the Code applicable to the Bonds and (ii) not to take any action or permit any action that would cause the interest paid on the Bonds to be included in gross income for purposes of federal income taxation pursuant to Section 103 of the Code.

In the opinion of Bond Counsel and assuming compliance with certain tax covenants, under existing statutes, regulations and court decisions interest on the Bonds is excludable from the gross income of the owners of the Bonds for purposes of federal income taxation pursuant to Section 103 of the Code. Interest on the Bonds is not a specific item of tax preference for purposes of the federal alternative minimum tax imposed on individuals. Interest on the Bonds is taken into account in determining adjusted current earnings for calculating the alternative minimum tax imposed on certain corporations for taxable years that began prior to January 1, 2018. In rendering its opinion, Bond Counsel will rely upon the Town's representations made with respect to the use of the proceeds of the Bonds and the Projects and the Town's covenant that it will comply with the Code.

Exemption of Interest on the Bonds from Taxation Within the State of Maine

In the opinion of Bond Counsel, interest paid on the Bonds is exempt from income taxation within the State pursuant to Title 30-A, Section 5772(9) of the Maine Revised Statutes. See "PROPOSED FORM OF LEGAL OPINION" in APPENDIX B herein.

Designated as Qualified Tax-Exempt Obligations

The Town *will designate* the Bonds as “qualified tax-exempt obligations” for purposes of Section 265(b)(3) of the Code.

Original Issue Discount

Certain maturities of the Bonds (the “Discount Bonds”) may be sold at an initial offering price less than the principal amount payable on the Discount Bonds at maturity. The difference between the initial public offering price at which a substantial amount of each of the Discount Bonds is sold and the principal amount payable at maturity of each of the Discount Bonds constitutes original issue discount. The appropriate portion of the original issue discount allocable to the original and each subsequent owner of the Discount Bonds will be treated for federal income tax purposes as interest not includable in gross income pursuant to Section 103 of the Code to the same extent as stated interest on the Discount Bonds. Pursuant to Section 1288 of the Code, original issue discount on the Discount Bonds accrues on the basis of economic accrual. The basis of an initial purchaser of a Discount Bond acquired at the initial public offering price of the Discount Bond will be increased by the amount of such accrued discount. Prospective purchasers of the Discount Bonds should consult their tax advisors with respect to the determination for federal income tax purposes of the original issue discount properly accruable with respect to the Discount Bonds and the tax accounting treatment of accrued interest.

Original Issue Premium

Certain maturities of the Bonds (the “Premium Bonds”) may be sold at an initial offering price in excess of the amount payable at the maturity date. The excess, if any, of the tax basis of the Premium Bonds to a purchaser (other than a purchaser who holds such Premium Bonds as inventory, stock in trade or for sale to customers in the ordinary course of business) over the amount payable at maturity is amortizable bond premium, which is not deductible from gross income for federal income tax purposes. Amortizable bond premium, as it amortizes, will reduce the owner’s tax cost of the Premium Bonds used to determine, for federal income tax purposes, the amount of gain or loss upon the sale, redemption at maturity or other disposition of the Premium Bonds. Accordingly, an owner of a Premium Bond may have taxable gain from the disposition of the Premium Bond, even though the Premium Bond is sold, or disposed of, for a price equal to the owner’s original cost of acquiring the Premium Bond. Bond premium amortizes over the term of the Premium Bonds under the “constant yield method” described in regulations interpreting Section 1272 of the Code. Prospective purchasers of the Premium Bonds should consult their tax advisors with respect to the calculation of the amount of bond premium which will be treated for federal income tax purposes as having amortized for any taxable year (or portion thereof) of the owner and with respect to other federal, state and local tax consequences of owning and disposing of the Premium Bonds.

Additional Federal Income Tax Consequences

In the case of certain corporate holders of the Bonds, interest on the Bonds will be included in the calculation of the alternative minimum tax as a result of the inclusion of interest on the Bonds in “adjusted current earnings” of certain corporations.

Prospective purchasers of the Bonds should be aware that ownership of, accrual or receipt of interest on or disposition of tax-exempt obligations, such as the Bonds, may have additional federal income tax consequences for certain taxpayers, including, without limitation, taxpayers eligible for the earned income credit, recipients of certain Social Security and certain Railroad Retirement benefits, taxpayers that may be deemed to have incurred or continued indebtedness to purchase or carry tax-exempt obligations, financial institutions, property and casualty insurance companies, foreign corporations and certain S corporations.

Prospective purchasers of the Bonds should consult their tax advisors with respect to the need to furnish certain taxpayer information in order to avoid backup withholding.

The Internal Revenue Service (the “IRS”) has an ongoing program of auditing state and local government obligations, which may include randomly selecting bond issues for audit, to determine whether interest paid to the holders is properly excludable from gross income for federal income tax purposes. It cannot be predicted whether the Bonds will be audited. If an audit is commenced, under current IRS procedures holders of the Bonds may not be permitted to participate in the audit process and the value and liquidity of the Bonds may be adversely affected.

Changes in Tax Law

Tax legislation, administrative actions taken by tax authorities, or court decisions, whether at the federal or state level, may adversely affect the tax-exempt status of interest on the Bonds under federal or state law or otherwise prevent beneficial owners of the Bonds from realizing the full current benefit of the tax status of such interest. In addition, such legislation or actions (whether currently proposed, proposed in the future, or enacted) and such decisions could affect the market price or marketability of the Bonds. Prospective purchasers of the Bonds should consult their tax and financial advisors regarding such matters.

Extent of Opinion

Bond Counsel expresses no opinion regarding any tax consequences of holding the Bonds other than its opinion with regard to (a) the exclusion of interest on the Bonds from gross income pursuant to Section 103 of the Code, (b) interest on the Bonds not constituting a specific item of tax preference pursuant to Section 57 of the Code and (c) the exemption of interest on the Bonds from taxation within the State pursuant to Title 30-A, Section 5772(9) of the Maine Revised Statutes. Prospective purchasers of the Bonds should consult their tax advisors with respect to all other tax consequences (including but not limited to those described above) of holding the Bonds.

BOOK-ENTRY-ONLY SYSTEM

The Depository Trust Company (“DTC”), New York, NY, will act as securities depository for the Bonds. The Bonds will be issued in fully-registered form registered in the name of Cede & Co. (DTC’s partnership nominee) or such other name as may be requested by an authorized representative of DTC. One-fully registered certificate will be issued for each maturity of the Bonds, each in the aggregate principal amount of such maturity, and each such certificate will be deposited with DTC.

DTC, the world’s largest securities depository, is a limited-purpose trust company organized under the New York Banking Law, a “banking organization” within the meaning of the New York Banking Law, a member of the Federal Reserve System, a “clearing corporation” within the meaning of the New York Uniform Commercial Code, and a “clearing agency” registered pursuant to the provisions of Section 17A of the Securities Exchange Act of 1934. DTC holds and provides asset servicing for over 3.5 million issues of U.S. and non-U.S. equity issues, corporate and municipal debt issues, and money market instruments (from over 100 countries) that DTC’s participants (“Direct Participants”) deposit with DTC. DTC also facilitates the post-trade settlement among Direct Participants of sales and other securities transactions in deposited securities, through electronic computerized book-entry transfers and pledges between Direct Participants’ accounts. This eliminates the need for physical movement of securities certificates. Direct Participants include both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, clearing corporations, and certain other organizations. DTC is a wholly-owned subsidiary of The Depository Trust & Clearing Corporation (“DTCC”). DTCC is the holding company for DTC, National Securities Clearing Corporation and Fixed Income Clearing Corporation, all of which are registered clearing agencies. DTCC

is owned by the users of its regulated securities. Access to the DTC system is also available to others such as both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, and clearing corporations that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly (“Indirect Participants”). DTC has a Standard & Poor’s rating of AA+. The DTC Rules applicable to its Participants are on file with the Securities and Exchange Commission. More information about DTC can be found at www.dtcc.com.

Purchases of securities deposited with DTC must be made by or through Direct Participants, which will receive a credit for such securities on DTC’s records. The ownership interest of each actual purchaser of each security deposited with DTC (“Beneficial Owner”) is in turn to be recorded on the Direct and Indirect Participants’ records. Beneficial Owners will not receive written confirmation from DTC of their purchase. Beneficial Owners are, however, expected to receive written confirmations providing details of the transaction, as well as periodic statements of their holdings, from the Direct or Indirect Participant through which the Beneficial Owner entered into the transaction. Transfers of ownership interests in securities deposited with DTC are to be accomplished by entries made on the books of Direct and Indirect Participants acting on behalf of Beneficial Owners. Beneficial Owners will not receive certificates representing their ownership interests in securities deposited with DTC, except in the event that use of the book-entry system for such securities is discontinued.

To facilitate subsequent transfers, all securities deposited by Direct Participants with DTC are registered in the name of DTC’s partnership nominee, Cede & Co., or such other name as may be requested by an authorized representative of DTC. The deposit of securities with DTC and their registration in the name of Cede & Co. or such other DTC nominee do not effect any change in beneficial ownership. DTC has no knowledge of the actual Beneficial Owners of the securities deposited with it; DTC’s records reflect only the identity of the Direct Participants to whose accounts such securities are credited, which may or may not be the Beneficial Owners. The Direct and Indirect Participants will remain responsible for keeping account of their holdings on behalf of their customers.

Conveyance of notices and other communications by DTC to Direct Participants, by Direct Participants to Indirect Participants, and by Direct Participants and Indirect Participants to Beneficial Owners will be governed by arrangements among them, subject to any statutory or regulatory requirements as may be in effect from time to time.

Redemption notices shall be sent to DTC. If less than all of a maturity is being redeemed, DTC’s practice is to determine by lot the amount of the interest of each Direct Participant in such maturity to be redeemed.

Neither DTC nor Cede & Co. (nor such other DTC nominee) will consent or vote with respect to securities deposited with it unless authorized by a Direct Participant in accordance with DTC’s MMI Procedures. Under its usual procedures, DTC mails an Omnibus Proxy to the issuer of such securities or its paying agent as soon as possible after the record date. The Omnibus Proxy assigns Cede & Co.’s consenting or voting rights to those Direct Participants to whose accounts the securities are credited on the record date (identified in a listing attached to the Omnibus Proxy).

Principal and interest payments on securities deposited with DTC will be made to Cede & Co., or such other nominee as may be requested by an authorized representative of DTC. DTC’s practice is to credit Direct Participants’ accounts upon DTC’s receipt of funds and corresponding detail information from the issuer of such securities or its paying agent, on the payable date in accordance with their respective holdings shown on DTC’s records. Payments by Participants to Beneficial Owners will be governed by standing instructions and customary practices, as is the case with securities held for the accounts of customers in bearer form or registered in “street name,” and will be the responsibility of such Participant and not of DTC (nor its nominee), the issuer of such securities or its paying agent, subject to any statutory or regulatory

requirements as may be in effect from time to time. Payment of principal and interest to Cede & Co. (or such other nominee as may be requested by an authorized representative of DTC) is the responsibility of the issuer of such securities or its paying agent, disbursement of such payments to Direct Participants will be the responsibility of DTC, and disbursement of such payments to the Beneficial Owners will be the responsibility of Direct and Indirect Participants.

DTC may discontinue providing its services as depository with respect to securities held by it at any time by giving reasonable notice to the issuer of such securities or its paying agent. Under such circumstances, in the event that a successor depository is not obtained, physical certificates are required to be printed and delivered to Beneficial Owners. The Town may decide to discontinue use of the system of book-entry-only transfers through DTC (or a successor securities depository). In that event, physical certificates will be printed and delivered to Beneficial Owners. The information in this section concerning DTC and DTC's book-entry system has been obtained from sources that the Town believes to be reliable, but the Town takes no responsibility for the accuracy thereof.

RATINGS

The Bonds are rated "Aa2" by Moody's Investors Service ("Moody's") and "AAA" by Standard & Poor's, Public Finance Ratings ("S&P"). The Town has furnished the rating agencies certain information and materials, some of which may not have been included in this Official Statement. The ratings, if obtained, will reflect only the view of Moody's or S&P at the time such rating is assigned and will be subject to revision or withdrawal, which could affect the market price of the Bonds. Moody's or S&P should be contacted directly for its rating on the Bonds and its explanation of such rating. A rating is not a recommendation to buy, sell or hold the Bonds, and such rating should be evaluated independently.

Except as set forth in the Continuing Disclosure Certificate set forth in APPENDIX C and referred to under "THE BONDS – CONTINUING DISCLOSURE" herein, the Town has not undertaken any responsibility either to bring to the attention of the owners of the Bonds any proposed change in, or withdrawal of, any rating of the Bonds or to oppose any such change or withdrawal.

CONTINUING DISCLOSURE

This is the first issuance of publically sold debt by the Town, subject to continuing disclosure requirements of the Rule, thus heretofore the Town has not previously entered into an undertaking under the Rule. Therefore the Town has never failed to comply in all material respects with any previous undertakings to provide financial information or notices of material events in accordance with the Rule.

Undertaking and Obligation

In order to assist the underwriter in complying with the Rule, the Town will covenant for the benefit of the owners of the Bonds to provide certain financial information and operating data relating to the Rule by not later than 270 days following the end of each fiscal year (the "Annual Report") and to provide notices of the occurrence of certain enumerated events, if material, which material events are more specifically described herein. The covenants will be contained in a "Continuing Disclosure Agreement" (the "Agreement"), the proposed form of which is provided in APPENDIX C. The Agreement will be executed by the Treasurer of the Town, and incorporated by reference in the Bonds.

Assurances of Compliance

For each issue of debt the Town Treasurer implements post-issuance compliance procedures that, among other items, will heretofore provide for timely filings with the Municipal Securities Rulemaking Board

(“MSRB”) through its Electronic Municipal Market Access System (“EMMA”) or its successor repository, if any, with respect to its existing and future continuing disclosure undertakings. The Town will also register with the EMMA reminder system to receive email reminders to help ensure timely filing of disclosure requirements.

MUNICIPAL ADVISOR

Moors & Cabot, Inc. is a Municipal Advisor, registered with the Securities and Exchange Commission and the Municipal Securities Rulemaking Board and has acted as Municipal Advisor to the Town with respect to the issuance of the Bonds pursuant to MSRB Rule G-23. Moors & Cabot, Inc. does not intend to submit its bid on, or participate in an underwriting syndicate for the public distribution of, the Bonds.

CUSIP IDENTIFICATION NUMBERS

It is anticipated that CUSIP (an acronym that refers to Committee on Uniform Security Identification Procedures) identification numbers will be printed on the Bonds. All expenses in relation to the printing of CUSIP numbers on the Bonds will be paid for by the Town provided, however, that the Town assumes no responsibility for any CUSIP Service Bureau charge or other charge that may be imposed for the assignment of such numbers.

STATUTORY REFERENCES

All quotations from and summaries and explanations of laws herein do not purport to be complete, and reference is made to said laws for full and complete statements of their provisions.

CONDITIONS PRECEDENT TO DELIVERY

The following, among other things, are conditions precedent to the delivery of the Bonds to the original purchasers thereof.

No Litigation

Upon delivery of the Bonds, the Town shall deliver or cause to be delivered a certificate of the Treasurer, and attested to by the Town Clerk dated the date of delivery of the Bonds, to the effect that there is no litigation pending or, to the knowledge of such official, threatened, affecting the validity of the Bonds or the power of the Town to levy and collect taxes to pay them, and that neither the corporate existence nor boundaries of the Town, nor the title of any of said officers to their respective offices, is being contested.

Approval of Legality

The legality of the Bonds will be approved by Bond Counsel. The unqualified approving opinion of such counsel with respect to the Bonds in substantially the form attached to this Official Statement as APPENDIX B will be delivered at the time of original delivery of the Bonds and a copy of the opinion will be provided to the original purchasers. Bond Counsel are not passing upon, and do not assume responsibility for, the accuracy or adequacy of the statements made in this Official Statement (other than matters expressly set forth as their opinion) and make no representations that they have independently verified the same. See also “PROPOSED FORM OF LEGAL OPINION” in APPENDIX B herein.

Certification of the Bonds

The Bonds will be certified as to their genuineness by U.S. Bank National Association, Boston, Massachusetts, which certificate will appear on the Bonds.

Certificate With Respect to Official Statement

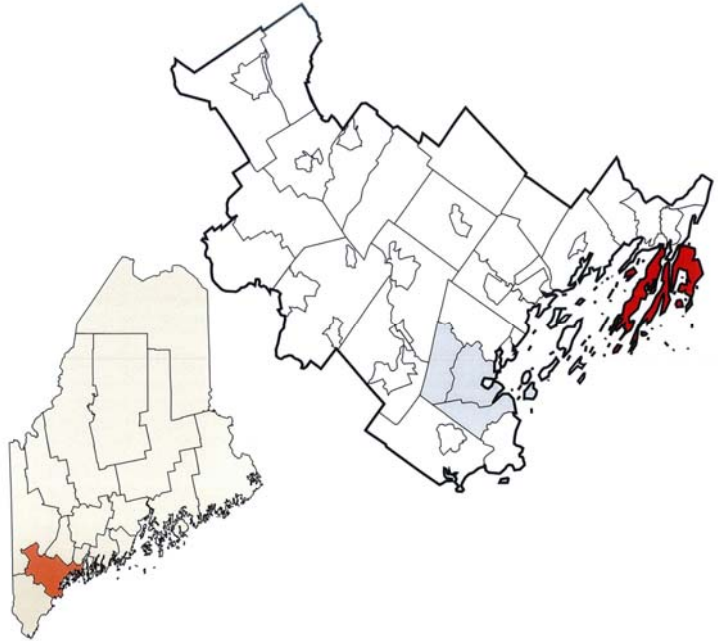
At the time of the original delivery of, and payment for, the Bonds, the Town will deliver a certificate of the Treasurer to the effect that she has examined this Official Statement and the financial and other data contained therein and that, to the best of her knowledge and belief, both as of its date and as of the date of delivery of the Bonds, the Official Statement does not contain any untrue statement of a material fact and does not omit to state any material fact necessary to make the statements made therein, in the light of the circumstances under which they were made, not misleading, subject to the condition that while information in the Official Statement obtained from sources other than the Town is not guaranteed as to accuracy, completeness or fairness, she has no reason to believe that such information is materially inaccurate or misleading.

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TOWN OF HARPSWELL

GENERAL

Harpswell (the “Town”) is located on the coast of the State of Maine in the northeastern section of the County of Cumberland, the State’s most populous county. Harpswell encompasses and is bordered by various bays that flow directly into Casco Bay and then the Atlantic Ocean. Broad Sound and then Merepoint Bay, form the Town’s western border that separates Harpswell from the towns of Chebeague Island, then Freeport and then Brunswick, south to north respectively. Brunswick continues along as Harpswell’s northern line. The New Meadows River is the Town’s eastern boundary separating the towns of West Bath and then Phippsburg from Harpswell, north to south, respectively; as well as being the county line between Cumberland and Sagadahoc counties.



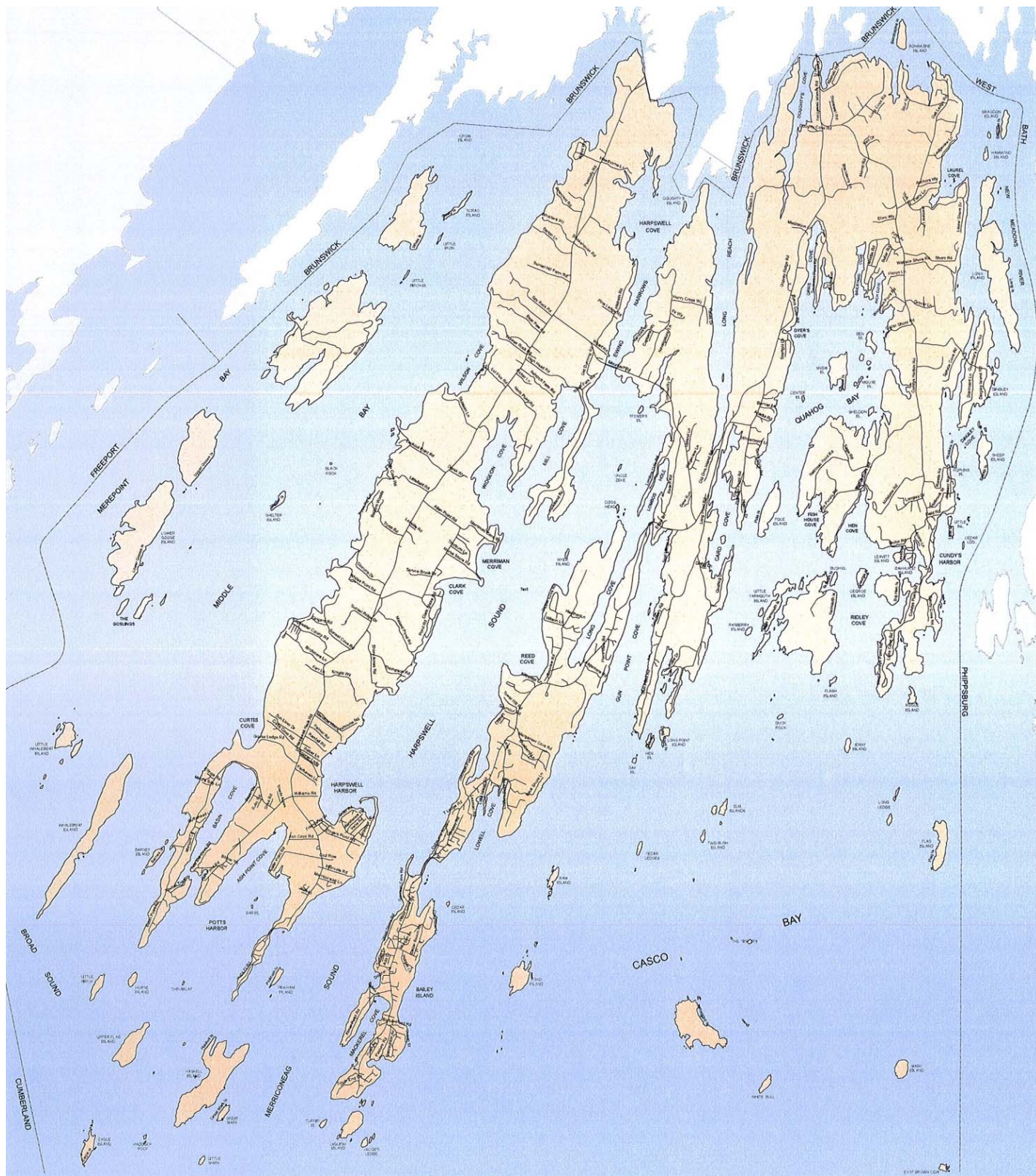
The Town is comprised of one peninsula and three major islands (Great, Orr’s and Bailey) connected by bridges and many smaller islands. Harpswell Neck, formerly named Merriconeag by Abenaki Native Americans, meaning “quick carrying place” for its easy portage, is the only section of the Town directly connected to mainland, on the Town’s west side. State Route 123 runs down Harpswell Neck from Brunswick and State Route 24 connects Great Island, Orr’s Island and Bailey Island on the east side. The two sides are connected via Mountain Road.

The area that encompasses the town was first settled in 1628 as Pejepscot, named for the Pejepscot Indians of the Anasagunticook Native American tribe, that became North Yarmouth chartered on September 22, 1680, encompassing the area of the present towns of North Yarmouth, Freeport (separating in 1789), Pownal (separating from Freeport in 1808), Cumberland (separating in 1821), and Yarmouth (separating in 1849). The Town, first settled in 1720, separated from North Yarmouth in 1750 and incorporated on January 25, 1758 named for Harpswell, Lincolnshire, England.

The Town is strategically located between Maine’s major population centers being 14 miles by water and 38 miles by land northeast of Portland, Maine’s largest city; 33 miles southeast of Lewiston-Auburn; 46 miles south of Augusta, the State’s capital; and 17 miles south of Brunswick; and 20 miles southwest of Bath, respectively. Convenient access to the Town is provided via U.S. Interstate Route 295 and by U.S. Route 1 through Brunswick.

The Town is a rural coastal community of predominantly owner occupied single family homes and forested and developed shore areas. The Town has approximately 216 miles (348 km) of coastline, total area of 127.69 square miles (330.72 km²) of which 24.18 square miles (62.63 km²) of the area is land and 103.51 square miles (268.09 km²) is water. The 2010 US Census attributes 4,740 residents to the Town and a significant number of its property owners are non-residents. The Town is a center of summer activity, and its population swells to about 10,000 during summer months.

Map of the Town of Harpswell



GOVERNMENT

There are two basic forms of local government in Maine: the “Direct” form, often referred to as town meeting government, in which the town meeting serves as the legislative body, passing laws, approving the spending of monies; and the “Representational” form, in which an elected council serves as the legislative body. There are several variations of these two forms. Variations of the Direct form are: *Selectmen/Town Meeting* form of government (169 towns); *Selectmen/Town Meeting/ Manager* (141 towns); *Council/Town Meeting/Manager* (18 towns); and *Selectmen/Town Meeting/Administrative Assistant or Administrator* (80 towns). Variations of the Representational form are: *Council/Mayor/Administrator* (three cities), *Council/Mayor/Manager* (18 cities) and *Council/Manager* (26 towns).

Pursuant to Title 30-A, Chapter 123, Section 2631 of Maine Revised Statutes the Town operates as a *Selectmen/Town Meeting/Administrator* form. Under this form of government, the Town’s Board of Selectmen have responsibility for the executive and administrative functions of the Town’s government, with an Administrator being responsible directly to the Selectmen, to oversee the daily operations of the municipality. The Town Meeting enacts, amends, or repeals rules, ordinances and resolutions relating to the Town’s property and affairs, elects a three-member Board of Selectmen and quasi-municipal or district officials, votes articles proposed under referendum power and approves the Annual Budget.

MUNICIPAL SERVICES

The Town provides general governmental services for the territory within its boundaries, including harbor and waterfront management, certain rescue services, solid waste disposal, roads, and recreation areas. Public education is provided for grades K through 12 through the Town’s affiliation with Maine School Administrative District No.75 (as defined and discussed further in “TOWN OF HARPSWELL – PUBLIC EDUCATION” herein). The Town does not have a public water or sewer system.

Public Safety

By annual contract with the County of Cumberland, its Sheriff’s Department provides for law enforcement services for the Town’s residents and properties. A second contract with the County Sheriff provides marine patrol services, primarily for the monitoring of tidal flats and the activities of shellfish harvesters.

Fire & Rescue

Harpswell’s fire and emergency medical response is provided by three volunteer companies pursuant to written agreements with the Town, specifying the geographic area for which each department is responsible. The areas and the population living within them are relatively equal in size. The departments have mutual aid arrangements with each other and with the Town of Brunswick. Although the three fire Departments are independent organizations, they receive significant capital support from the Town. Beginning in 2007, the Town began purchasing all vehicles (fire engines, ambulances and utility vehicles) for the departments. The Town then leases the vehicles to the respective department, which is responsible for insuring and maintaining them. There are no lease payments. The Town contributes annually to the operations of the three fire and rescue services, and directly incurs other related operating costs. The companies are:

- Cundy’s Harbor Volunteer Fire Department;
- Harpswell Neck Fire and Rescue;
- Orr’s and Bailey Islands Fire Department.

The respective company's equipment inventory includes:

	Type 1 Fire Engine Pumper	Type 1 Fire Engine Tanker	Type 4 Ambulance	Utility Truck
Cundy's Harbor Volunteer Fire Department	1	1	1	1
Harpswell Neck Fire and Rescue	2	2	1	1
Orr's and Bailey Islands Fire Department	2	1	1	1

Through a contract with Mid Coast Hospital in Brunswick, a paramedic is stationed in Harpswell 24/7, working in conjunction with the three independent companies that provide first responders and drivers. The Town is the contracting entity responsible for the paramedic services. The Town also pays for a dedicated intercept vehicle and provides space for the paramedic and vehicle. The Mid Coast contract includes back-up coverage by a paramedic based in the City of Bath.

In 2017, the Town hired its first municipal Fire Administrator to support the activities of the volunteer fire services, particularly on weekdays. The Town expects to hire three full-time equivalent firefighters in 2018 to supplement this coverage.

Roads

The Town is responsible for both the winter and summer maintenance of its 28 miles of Town roads and winter maintenance only of the State of Maine Department of Transportation ("DOT") roads. The DOT roads are State Route 123 (Harpswell Neck), State Route 24 (Harpswell Islands), Cundy's Harbor and Mountain Road. All road work is contracted with private vendors.

The Town is studying the impact of sea level rise on certain roads to assess what will be needed to prepare Town infrastructure as higher tides and storm surge overtop roads more frequently. The study's objective is to develop a long-range plan for managing the potential impacts of storm surge and sea level rise on Town roads and to develop options for managing the impact of increased salt water movement into ponds and wetlands.

Waste Disposal

The Town's commercial and residential waste is received, sorted and shipped from the A. Dennis Moore Recycling Center & Transfer Station, a municipal facility built in 1979 and operated by the Town. The Recycling Center received, processed and compacted 943 tons of municipal solid waste ("MSW") and 452 tons of recyclable material in 2017. All MSW and recycling material is compacted at the facility and sent to Pinetree Waste (an affiliate of Casella Waste Systems, Inc. ("Casella") [NASDAQ: CWST]. The MSW is used as a fuel source at the Penobscot Energy Recovery Company's waste-to-energy facility in Orrington, Maine. Recycling goes to Casella's Materials Recovery Facility in Auburn Maine for sorting and reuse as base materials in manufacturing and other endeavors. The Transfer Station handled 1,333 tons of waste material in 2017. The Town has recently signed a three-year service contract with Casella with 2, one-year options for extending the service contract.

The Water Tower at Mitchell Field

In 2001, the Town received the ownership of the former Navy fuel depot. One of the facilities transferred to the Town was a 100,000 gallon elevated water tower.

The Town worked with an engineering firm with experience with similar water towers, to evaluate the use of the tower. As part of its work, the engineers investigated the condition of the foundations for the tower and recommended that improvements be made to the foundations especially the center foundation in the near future.

LABOR RELATIONS

The Town employs approximately 17 full and four part-time employees. The Town's employees generally are not represented by unions, however, three hourly employees at the Recycling Center are members of a collective bargaining unit.

PUBLIC EDUCATION

MSAD 75

Maine School Administrative District No. 75 ("MSAD 75") serves as the Town's school administrative unit ("SAU"). MSAD 75 has a 14-member Board of Director plus two non-voting Student Representatives (the "District Board") of which six are residents of the town of Topsham, four of Harpswell, two from Bowdoin and two from Bowdoinham. Each Director has one vote and is elected for a three-year staggered term. The Superintendent is the Secretary, Treasurer and chief administrator of the MSAD.

MSAD 75 has seven schools which include five primary and/or elementary schools, a middle school and a high school. The staff consists of one Superintendent, one Assistant Superintendent, seven principals, and 208.9 full-time equivalent ("FTE") teachers and various other professional and non-professional staff. MSAD 75's schools are listed below:

<u>Location</u>	<u>School</u>	<u>Grades</u>	<u>Capacity</u>	<u>Attending Enrollment (October 1, 2016)</u>
Bowdoin	Bowdoin Central	K - 5	340	204
Bowdoinham	Bowdoinham Community	K - 5	320	169
Harpswell	Harpswell Community	K - 5	290	178
Topsham	Williams-Cone	K - 5	540	238
Topsham	Woodside	K - 5	660	330
Topsham	Mt Ararat Middle	6 - 8	900	579
Topsham	Mt Ararat High	9 - 12	1,100	730

NOTE: **Attending Enrollment** is an attending student count, or a head count of students, based on where the students are educated. Public school district attending counts include: (1) students from the local school district attending schools in the local school district, plus (2) students from outside the school district who are tuitioned from other school districts.

Resident Enrollment is based on where the students live. They are counts of students who reside in each school district and are educated at public expense. Public school district resident counts include: (1) resident students from the local school unit attending schools in the local school unit, plus (2) resident students from the local unit who are tuitioned to other public school units or private schools and who are paid for with public funds.

MSAD No. 75 Consolidated Enrollments, School Enrollment Trend

Oct 1,	Consolidated						Member Municipalities as % Total
	Resident Total				Tuition	Attending Total	
	K-5	6-8	9-12	Total			
2016	1,116	579	727	2,422	6	2,428	99.75%
2015	1,111	559	735	2,405	8	2,413	99.67%
2014	1,126	554	782	2,462	21	2,483	99.15%
2013	1,103	567	814	2,484	19	2,503	99.24%
2012	1,152	610	831	2,593	16	2,609	99.39%
2011	1,136	616	870	2,622	12	2,634	99.54%
2010	1,179	615	892	2,686	8	2,694	99.70%
2009	1,199	644	884	2,727	13	2,740	99.53%
2008	1,227	663	928	2,818	15	2,833	99.47%
2007	1,268	681	971	2,920	31	2,951	98.95%

Town of Harpswell, School Enrollment Trend

Oct 1,	Grades				% MSAD Resident Enrollment
	K-5	6-8	9-12	Total	
2016	198	90	110	398	16.43%
2015	190	80	111	381	15.84%
2014	211	72	133	416	16.90%
2013	190	86	143	419	16.87%
2012	205	110	147	462	17.82%
2011	199	133	161	493	18.80%
2010	211	120	169	500	18.62%
2009	208	120	162	490	17.97%
2008	209	125	170	504	17.89%
2007	229	125	184	538	18.42%

The MSAD 75 budget preparation and approval process are conducted pursuant to Title 20-A, Sections 1482 - 1489 of the Maine Revised Statutes. The MSAD 75 budget is prepared by the school board and then must be approved at New England town meeting-style District budget meeting, followed by voter approval at a budget validation referendum. The budget validation referendum must be held on or before the 30th calendar day following the scheduled date of the District budget meeting. If the voters do not validate the budget at the budget validation referendum, the school board must hold another budget meeting to approve a new budget at least 10 days and not more than 45 days after the referendum. The new budget approved at the budget meeting must again be submitted to the voters for validation at referendum. The process must be repeated until a budget is approved at a district budget meeting and validated at referendum. The voters of MSAD 75 may vote to discontinue the budget validation referendum process, in which case the MSAD 75 budget is finally approved at District budget meeting.

In accordance with the approved budget, the MSAD 75 School Board issues warrants to the assessors of each member municipality, including the Town, for its share of MSAD 75's costs. The assessors commit the assessment to the respective tax collectors, who have the authority and powers to collect the MSAD 75 taxes as is vested in them by law to collect state, county and municipal taxes. The MSAD 75 School Board also notifies the member municipalities of the monthly installments that will become payable during the MSAD 75 July 1 – June 30 fiscal year, due on or before the 20th of each month.

In March of 2017, the voters of MSAD 75 approved the construction of a new high school. The construction timeline calls for the new school to be put out to bid in the spring of 2018, with the doors opening to students for the first time at the beginning of the 2020-2021 school year. Of the total project budget, \$60,344,139 will be bonded. The Maine Department of Education has scheduled the bond issue for the spring of 2019, with MSAD 75 providing interim financing through bond anticipation notes until bond proceeds are available.

Region 10 Technical High School

MSAD 75 is a member of the Region 10 Technical High School (“Region 10”), a school charged with delivering applied technology programs. Region 10 is established in a cooperative agreement, (the “Cooperative Agreement”) by the SAUs from the Town of Brunswick, MSAD 75 (Bowdoin, Bowdoinham, Harpswell, and Topsham), and MSAD 5 (Freeport, Durham, and Pownal). The Cooperative Agreement provides for a nine-member Board of Directors with four members from Brunswick; three from MSAD 75; and two from MSAD 5.

Beginning in fiscal year 2018-2019, Region 10 will receive funding directly from the Maine Department of Education (\$2,197,408.41 for FY18-19). To the extent that the annual operating costs (including debt repayment) of Region 10, as approved by its Board of Directors and subsequently by each of its member SAUs, each SAU is responsible for its proportionate share of such operating expenses as determined in accordance with the Cooperative Agreement. MSAD 75, in turn, includes any costs for the Region in its operating budget.

Of the 236 students enrolled in Region 10 on October 1, 2017, 17 were residents of Harpswell. The respective SAU is responsible for its proportionate share of Region 10’s operating expenses, including debt service, which is included in the annual assessment to the SAU.

Harpswell Coastal Academy

The Harpswell Coastal Academy (“HCA”) is a public charter school (see “TOWN OF HARPSWELL – PUBLIC EDUCATION – Charter Schools in Maine” herein) established pursuant to Title 20-A, Chapter 112 of the Maine Revised Statutes, as amended, through a Charter Contract between HCA and the Maine Charter School Commission executed May 7, 2013, for a period of five years. The HCA was awarded a second five-year contract, effective July 1, 2018. The HCA currently has two campuses: a facility at Ash Point Road in Harpswell (Division 1; grades 6-8) that also is the location of its administrative offices; and at Brunswick Landing in Brunswick (Division 2 for grades 9-11; Division 3 for grade 12). HCA students currently come from 20 mid-coast Maine towns including Harpswell, Brunswick, Bowdoinham, Topsham, Freeport, and the City of Bath.

The HCA is governed by an eight member Board of Directors with the desire to ultimately expand to Board to ten members. The HCA is managed by an Executive Director, three Principals, a Director of Business and Finance Director and approximately 30 faculty or staff.

HCA’s curriculum is intended to showcase best practices developed over the past 20 years by organizations such as the Coalition of Essential Schools and Expeditionary Learning: standards-based teaching and learning; relevant, place-based curriculum that incorporates fieldwork and internships; and deliberate structures for building students’ character and holding them accountable. HCA’s organizational structure supports students in achieving high standards in a variety of ways including a longer school day, summer programs, and community mentors for each student. The curriculum at HCA is college-preparatory and meets the same Common Core standards in Math, Language Arts, Social Studies, Science, Health and Physical Education and Fine Arts, as do all Maine public middle and high schools.

On October 1, 2014, in the first fiscal year of operation enrollment was 123 students. On October 1, 2015 HCA enrolled 176 students, October 1, 2016 enrolled 201 students and October 1, 2017 enrolled 195 students.

Charter Schools in Maine

Charter schools are public schools of choice that students can decide to attend as an alternative to traditional public schools. Charter schools are publicly funded schools governed and operated independently of the traditional public school system. They have more flexibility than traditional public schools over decisions concerning curriculum and instruction, scheduling, staffing and finance. Charter schools, however, are accountable to the terms of the contracts, or charters, which authorize their existence and the academic standards to which all other public schools are accountable. Charter Schools are nonprofit corporations and while the Charter School Commission receives some staff support from the State of Maine Department of Education (“DOE”), it is an independent body.

The DOE has developed rules concerning the implementation of the charter school law. The State Board of Education has set up the Maine Charter School Commission, which is comprised of three members of the State Board and four others nominated by those Board members.

There are currently nine public charter schools in Maine. Maine Statute allows the Charter School Commission to authorize a maximum of 10 charter schools during a 10-year period however, local school boards can authorize additional charter schools within the boundaries of their SAU that do not count toward the 10-school limit of the Charter School Commission.

Pursuant to Title 20-A, Section 2413(2) of the Maine Revised Statutes, as amended, State and local operating funds follow each student to the public charter school attended by the student, except that the SAU of the student's residence may retain up to 1% of the per-pupil allocation described in this subsection to cover associated administrative costs. Additionally, a public charter school may receive gifts and grants from private sources in any manner that is available to a SAU; however a public charter school may not levy taxes or issue bonds secured by tax revenues.

LIBRARIES

Three long-established libraries are available for Town residents. Two of the libraries are located in the Town: Cundy’s Harbor Library, formed in the early 1950s and located in its present location since 1959; and Orr’s Island Library, formed in the early 1900s and occupying a 113-year-old building that has recently undergone substantial renovations.

The Curtis Memorial Library, located in Brunswick, formally serves the towns of Brunswick and Harpswell. The original 5,400 square foot building opened in 1904, a 10,600 square foot addition was added to the original building in November 1972 and a major renovation and refurbishing of the 1904 building, along with a 38,000 square foot addition, were completed and opened to the public in October 1999. The town of Brunswick owns the building but the Library is managed by the Brunswick Public Library Association (the “Association”), a private non-profit association founded in 1883.

Each of the libraries is a non-profit organization, separate from the Town’s responsibility, but receiving financial support from the Town.

BUILDING PERMITS

Fiscal Year Ended Dec. 31,	Residential		Commercial		Total	
	Number of Units	Value	Number of Units	Value	Number of Units	Value
2017	336	\$21,125,000	6	\$1,957,500	342	\$23,082,500
2016	319	19,005,000	3	510,000	322	19,515,000
2015	324	14,331,000	1	70,000	325	14,401,000
2014	269	17,346,000	2	1,003,000	271	18,349,000
2013	265	17,586,000	1	10,000	266	17,596,000
2012	252	12,701,000	2	95,000	254	12,796,000
2011	277	10,016,000	2	920,000	279	10,936,000

EMPLOYMENT

Representative Employers

Name	Business	Range of Employees
Dolphin Marina and Restaurant	Marina and Restaurant (seasonal)	50 to 90
Great Island Boatyard	Marina and Boat Storage	40
Cook's Lobster and Ale House	Restaurant	10 to 90
R.A. Webber	Construction & Septic Services	18 to 26
Harpswell Coastal Academy	Middle School	34
Harpswell Community School	Elementary School	34
Town of Harpswell	Municipal Government	20

There are a significant number of self-employed individuals in Harpswell. This would include many fishermen and craftspeople as well as those in trades like carpentry and plumbing or house cleaning and landscaping who work for themselves.

Commuter Trends

Where Harpswell Residents Work			Workers in Harpswell		
Go to	Number	%	Commute from	Number	%
Harpswell	619	28.01%	Harpswell	619	67.43%
Brunswick	596	26.97%	Brunswick	70	7.63%
Bath	161	7.29%	Topsham	48	5.23%
Portland	150	6.79%	Windham	32	3.49%
South Portland	93	4.21%	West Bath	23	2.51%
Topsham	86	3.89%	Bowdoin	18	1.96%
Falmouth	81	3.67%	North Yarmouth	16	1.74%
Boston	47	2.13%	Standish	15	1.63%
Chelsea	39	1.76%	Dresden	15	1.63%
Freeport	37	1.67%	Cape Elizabeth	12	1.31%
Manchester	36	1.63%	Lisbon	8	0.87%
Lewiston	33	1.49%	Pownal	8	0.87%
Auburn	30	1.36%	Monmouth	8	0.87%
Lisbon	27	1.22%	Raymond	7	0.76%
Georgetown	26	1.18%	Bowdoinham	7	0.76%
All Other	149	6.74%	All Other	12	1.31%
Harpswell Residents	2,210	100.00%	Harpswell Workforce	918	100.00%

SOURCE: State of Maine, Department of Labor, Labor Market Information Services; U.S. Department of Commerce, Bureau of Census - 2010 data.

ECONOMIC CHARACTERISTICS

		-----% Change-----		
Population	Town of Harpswell	Town	State	USA
1970	2,552	25.6%	2.4%	13.4%
1980	3,796	48.7	13.4	11.4
1990	5,012	32.0	9.2	9.8
2000	5,239	4.5	3.8	13.2
2010	4,740	(9.5)	4.2	8.9

SOURCE: Respective census, U.S. Department of Commerce, Bureau of the Census.

Population Characteristics	Town of Harpswell	Cumberland County	State of Maine	USA
Median age (years)	52.9	41.0	42.7	37.2
% School age	13.0%	18.5%	18.2%	20.4%
% Working age	57.2%	60.8%	59.4%	62.9%
% 65 and over	25.9%	14.3%	15.9%	13.0%
Persons/household	2.13	2.32	2.32	2.58

Income	Town of Harpswell	Cumberland County	State of Maine	USA
Median family income	\$65,747	\$71,335	\$58,158	\$62,982
% Below poverty level (individuals)	11.5%	10.5%	12.6%	13.8%
Per capita income	\$33,962	\$31,041	\$25,385	\$27,334

Housing	Town of Harpswell	Cumberland County	State of Maine	USA
% Owner occupied	85.0%	68.5%	73.1%	66.6%
% Built 1939 or earlier	24.2%	29.0%	28.1%	14.1%
% Built since 2000	11.1%	10.8%	8.9%	12.8%
Owner occupied med. value	\$361,000	\$248,400	\$176,200	\$188,400
Median gross rent	\$1,066	\$868	\$707	\$841
Occupied housing units	2,210	116,616	551,125	-

SOURCE: 2010 Census, U.S. Department of Commerce, Bureau of the Census.

Unemployment	Town of Harpswell	Cumberland County	State of Maine	USA
2016	3.0%	2.9%	3.9%	4.9%
2015	3.4	3.4	4.4	5.3
2014	4.2	4.4	5.7	6.2
2013	5.3	5.3	6.7	7.4
2012	8.2	5.8	7.3	8.1
2011	5.9	6.0	7.5	8.9
2010	6.0	6.3	7.9	9.6
2009	6.3	6.4	8.0	9.3
2008	3.9	4.0	5.4	5.8
2007	3.5	3.5	4.6	4.7

SOURCE: State of Maine, Department of Labor, Division of Economic Analysis and Research.

TOWN FINANCES

BUDGETARY PROCESS

The fiscal year (or “budget year”) of the Town begins on the first day of January and ends on the thirty first day of December of that year. A six-member Budget Advisory Committee, appointed by the Board of Selectmen, reviews and recommends to the Board of Selectmen annual and long-range budget proposals. The Board of Selectmen prepares the warrants issued for the Annual Town Meeting, including the proposed budget. The Annual Town Meeting, in its vote of each article, approves or declines the items which form the Town’s budget. Pursuant to State law, if the annual net municipal budget requires the property tax levy to exceed the Town’s property tax levy limit, a majority of the Town Meeting voters must approve this by written ballot. Upon adoption of the budget, a property tax levy is then established and filed with the Town Assessor. The school budget is approved by the voters of MSAD 75 in a budget approval process separate from the Town’s budget, and MSAD 75 directly assesses its members, including the Town, to support the school budget. Additionally, Cumberland County assesses the Town for its proportionate share of the County budget.

It is the policy of the Town to use non-property tax revenues, excluding those with dedicated purposes, to offset the impact of the municipal budget on the property taxpayer. As part of the budget process, estimates of non-property tax revenues for the budget year are made. These estimates do not exceed the current or prior year actual revenues without firm rationale. It is also the policy of the Town not to carry over to a future year, funds appropriated in the current year for operating expenditures. Capital reserves and reserve accounts for other special purposes (e.g., heating assistance, property tax assistance) may be carried over as long as their intended use continues to be a need of the Town.

General Fund Budgets for the Fiscal Year Ending December 31,

	2014	2015	2016	2017	2018
REVENUES					
Property taxes	\$10,903,298	\$11,265,823	\$11,625,025	\$11,811,172	\$12,366,445
Interest and fees	22,000	21,000	21,000	17,800	15,000
Excise taxes	1,012,000	1,072,000	1,142,000	1,202,700	1,270,000
Intergovernmental	197,358	158,405	180,534	206,063	215,000
Permits, licenses and fees	172,100	194,000	194,000	201,700	207,000
Recycling Center	120,000	155,500	155,500	165,000	175,000
Miscellaneous	124,300	137,900	147,900	168,200	176,000
TOTAL REVENUES	12,551,056	13,004,628	13,465,959	13,772,635	14,424,445
EXPENDITURES					
General government	1,326,885	1,400,253	1,401,936	1,492,538	1,521,107
Public works	800,334	826,608	848,295	872,733	918,504
Public safety	1,161,532	1,166,672	1,136,976	1,279,318	1,376,406
Health & welfare	35,180	33,180	33,530	34,433	35,230
Cultural & recreation	260,401	272,309	290,029	294,304	322,078
Capital projects	898,111	729,263	809,476	1,105,382	1,464,206
Debt service	505,000	560,000	550,000	470,000	470,000
Contingency	36,702	33,318	12,976	16,228	16,228
Education	7,230,969	7,622,307	7,697,700	7,744,079	7,901,000
County tax	1,183,087	1,255,204	1,254,940	1,294,498	1,318,020
Overlay	59,218	80,734	51,872	137,871	35,000
TOTAL EXPENDITURES	13,497,419	13,979,848	14,087,730	14,741,384	15,377,779
REVENUES OVER(UNDER)	(\$946,363)	(\$975,220)	(\$621,771)	(\$968,749)	(\$953,334)
Transfers	(45,050)	(89,500)	(306,000)	(113,850)	(363,600)
Use of Fund Balance	991,413	1,064,720	927,771	1,082,599	1,316,934
OTHER FINANCING SOURCES	\$946,363	\$975,220	\$621,771	\$968,749	\$953,334

PROPERTY TAX LEVY LIMIT

As previously discussed, unless the Town follows certain procedural requirements under Title 30-A, Section 5721-A of the Maine Revised Statutes the Town's property tax levy is limited by its Municipal Property Tax Levy Limit (see "THE BONDS - SOURCE OF PAYMENT AND REMEDIES - Limitation on Municipal Property Tax Levy" herein). The Municipal Property Tax Limit is the Municipal Property Tax Levy Limit for the preceding year multiplied by the Growth Limitation Factor, which factors in average personal income growth and certain increases in assessed valuation of real and personal property in the Town. The following table displays the Town's limitation on Municipal Property Tax Levy:

Fiscal year:	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>
State Personal Income Factor:	1.0900%	0.8600%	2.6700%	2.8400%	2.6100%
Town Property Growth Factor:	<u>0.7053%</u>	<u>0.9580%</u>	<u>1.2300%</u>	<u>1.4100%</u>	<u>1.1100%</u>
Growth Limitation Factor:	1.7953%	1.8180%	3.9000%	4.2500%	3.7200%
Property Tax Levy Limit:	\$2,454,617	\$2,499,242	\$2,624,937	\$2,736,497	\$2,838,295
Property Tax Levy:	<u>\$2,430,024</u>	<u>\$2,307,578</u>	<u>\$2,620,513</u>	<u>\$2,634,724</u>	<u>\$2,793,745</u>
Over/(below) Prop Tax Levy Limit:	(\$24,593)	(\$191,664)	(\$4,424)	(\$101,773)	(\$44,550)

FUND BALANCE

The Town has established, and follows, a formal Fund Balance Policy regarding use of Unassigned General Fund Balance. It is the intent of the Town to maintain a minimum Unassigned General Fund balance of one month (8.33%) of operating expenditures, defined as total prior year's General Fund expenditures less any expenditure made from Reserve Funds. The targeted balance for the fiscal year-end is two months (16.66%) and the maximum balance is not to exceed 25% of operating expenditures, so long as cash flow needs are met. Any amount in excess of the targeted balance may be used to reduce the tax commitment or be appropriated as assigned or committed fund balance, or it may remain as Unassigned Fund Balance. The Board of Selectmen may recommend transfers that would reduce the balance below 25%, but no transfers shall be made that would reduce the balance to less than 8.33%. In the event that the unassigned fund balance drops below the minimum level, the Town will develop a plan, implemented through the annual budgetary process, to bring the balance to the targeted level over a period of no more than three (3) years. The following displays the Town's various General Fund Balances for its most recent five audited fiscal years:

	Fiscal Year Ended December 31,				
	2013	2014	2015	2016	2017
Unassigned General Fund Balance	\$3,413,009	\$3,393,364	\$3,451,191	\$3,432,977	\$3,388,686
Total Operating Expenditures	11,523,810	12,334,997	12,925,672	13,059,453	13,282,388
Fund Balance as % of Expenditures	29.62%	27.51%	26.70%	26.29%	25.51%

CAPITAL IMPROVEMENT PLAN

The Town has a formal Capital Improvement Plan ("CIP") to inventory its capital assets (those whose cost basis exceeds \$5,000) and to regularly assess the need for and the condition of these assets. The assessment includes an evaluation of issues, challenges, and opportunities affecting the provision of capital assets in the future, such as community needs and priorities; the impact of deferred maintenance; funding issues; changes in technology; economic, demographic, or other factors that may affect demand; and legal or regulatory changes. The review may be undertaken in conjunction with an evaluation of the program or service utilizing the particular assets. The review is conducted by administrative staff with the input of the Department Heads and representatives of the Fire Departments, among others. The assessment of capital asset condition considers the impact of any deferred maintenance and needed improvements. Upon

completion of the review, an assessment of the adequacy of the balances of the reserve accounts is completed and recommendations are made as to potential adjustments thereto. In August 2017, the Board of Selectmen updated the Town's five-year capital plan. The following is a brief summary:

	<u>Estimated Project Cost</u>	<u>Current Reserves</u>	<u>Comments</u>
Mitchell Field:		\$214,000	
Pier Demolition	\$3,500,000		2018 Bonds
Water Tower Demolition or	30,000 to 40,000		2018 Town Meeting Vote
Water Tower Rehabilitation	230,000 to 430,000		
Pier Replacement	320,000		Under consideration; 50% grant match
Boat Launch	300,000		Under consideration
Laurel Cove Road	235,000	67,000	Work to be performed in 2018
Emergency Vehicles	350,000	195,000	Annual appropriation; next purchase 2020
Emergency Equipment	40,000	24,000	Annual appropriation as needed
Vehicles	40,000 to 45,000	42,000	Annual appropriation; one replaced each year
Recycling Center:		99,000	
Building	120,000		Annual appropriation as needed
Compactor System	320,000		Under consideration
Equipment	125,000		Budgeted for 2018 purchase
Boat & Motor	40,000 to 70,000	38,000	2018 Town Meeting to consider
Town Facilities:		21,000	
Town Hall HVAC	30,000		Annual appropriation as needed
Town Hall Drainage	30,000		Annual appropriation as needed
Office Equipment	30,000	2,500	Annual appropriation as needed
Property Improvements	25,000	80,000	2018 upgrade of Town pier area budgeted
Central Fire Station	TBD	95,000	Future Bond Issue
Dry Hydrants	8,000 to 15,000	13,000	Annual appropriation as needed

The 2018 Town Meeting will be asked to approve increases in the Town's capital reserves totaling \$597,500.

DEBT MANAGEMENT POLICY

On June 22, 2017 the Town enacted a formal Debt Management Policy, to standardize the issuance and management of debt. Implementation of, and adherence to, a Debt Policy is a recommended practice by the Government Finance Officers Association ("GFOA"). The Town's policy provides guidelines regarding the timing and purpose for which debt may be issued, and presents the types of permissible debt and the methods of sale that may be used. In the policy, the Town confirms its obligation to fully and timely repay all debt as an essential requirement for entry into the capital markets.

The policy is to be used in conjunction with the operating and capital budgets, the CIP, and other financial policies and sets forth comprehensive guidelines for the financing of capital expenditures. Borrowing capacity will be evaluated based on *Need, Capacity, Affordability, Term and Payments*. Debt financing includes: general obligation bonds, temporary notes, lease/purchase agreements and other Town obligations permitted to be issued or incurred under Maine statute; debt financing is only to be used to purchase capital assets that cannot be acquired from current resources. The useful life of the financed asset or project needs to equal or exceed the payout schedule of any debt the Town assumes for that project. The Town shall maintain an outstanding General Obligation debt level that complies with State law, which currently limits outstanding long-term debt to 15% of the State assessed valuation of the Town, however, the debt level of the Town will not be greater than 1% of this valuation.

The Town assesses all financial alternatives for funding capital improvements prior to issuing debt. “Pay-as-you-go” financing is considered before issuing debt. Pay-as-you-go financing may include: intergovernmental grants from federal, State, and other sources; current revenues and fund balances; private sector contributions; public/private partnership; or leases. Debt financing is not considered appropriate for recurring purposes, such as current operating and maintenance expenditures. Once the Town determines that pay-as-you-go is not a feasible financing option, the Town may use short-term or long-term debt to finance capital projects.

The policy also incorporates a Post-Issuance Compliance portion that, among other things, provides for timely filings with EMMA or its successor repository, if any, with respect to its existing and future continuing disclosure undertakings; has established written procedures and assigned specific responsibilities that the Town believes will provide prompt compliance with its continuing disclosure undertakings on a going forward basis.

INVESTMENT POLICY

Since May 28, 2009, the Town has, and follows, a formal Investment Policy. Additionally, pursuant to applicable Maine law (Title 30-A, Section 5706 *et seq.* of the Maine Revised Statutes, as amended), all investments of the Town must be made with the judgment and care that persons of prudence, discretion and intelligence, under circumstances then prevailing, exercise in the management of their own affairs, not for speculation but for investment considering (i) safety of principal and maintenance of capital, (ii) maintenance of sufficient liquidity to meet all operating and cash requirements that is reasonably expected, and (iii) return of income commensurate with avoidance of unreasonable risk. Under its policy, the Town’s investment practice is to maintain a cash and investment pool that is available for use by all funds and consists of short-term investments. The Town is invested principally in FDIC insured deposits through its banking institution. The Town is not invested in any obligations typically referred to as derivatives, meaning obligations created from, or whose value depends on or is derived from the value of one or more underlying assets or indexes of asset values in which the municipality owns no direct interest.

FINANCIAL STATEMENTS

Title 30-A, Chapter 223, Subchapter VIII of the Maine Revised Statutes, as amended, requires independent annual audits of the Town’s financial statements. The Town, in conformance with this statute currently engages the services of RHR Smith & Company, Certified Public Accountants (“RHR Smith”), to conduct its audit. The Town’s Annual Report for the fiscal year ended December 31, 2017, is presented as APPENDIX A to this Official Statement.

FUNDS

The accounts of the Town are organized and operated on the basis of funds. A fund is a separate accounting entity with a self-balancing set of accounts. Fund accounting segregates funds according to their intended purpose and is used to aid management in demonstrating compliance with finance-related legal and contractual provisions. The Town has the following fund types:

Governmental Funds are used to account for most governmental functions of the Town. Governmental Funds include the following fund types:

General Fund is the general operating fund of the Town. It is used to account for all financial resources except those required to be accounted for in another fund.

Special Revenue Funds account for revenue sources (not including expendable trusts or major capital projects) that are legally restricted to expenditure for specific purposes.

Capital Projects Fund is used to account for the acquisition of fixed assets or construction of major capital projects not being financed by proprietary or non-expendable trust funds.

**TOWN OF HARPSWELL
COMPARATIVE BALANCE SHEET
GENERAL FUND
(As of December 31,)**

	2017	2016	2015	2014	2013
ASSETS					
Cash and equivalents	\$4,826,967	\$4,556,580	\$4,642,455	\$5,028,136	\$5,425,627
Receivables:					
Taxes	381,918	264,253	332,522	356,543	345,631
Liens	42,579	52,347	61,556	68,326	64,944
Other	103,123	79,628	74,807	59,504	55,157
Prepaid expenses	17,830	17,482	16,650	17,147	16,627
TOTAL ASSETS	5,372,417	4,970,290	5,127,990	5,529,656	5,907,986
LIABILITIES					
Accounts payable	87,411	57,716	49,709	73,713	240,989
Taxes paid in advance	284,898	16,724	4,645	5,061	3,532
Other unearned	13,225	18,875	7,875	16,465	5,560
Inter-fund payables	433,433	693,917	874,149	1,179,348	1,224,256
TOTAL LIABILITIES	818,967	787,232	936,378	1,274,587	1,474,337
DEFERRED REVENUES					
Deferred tax revenues	200,000	170,000	270,000	270,000	290,000
TOTAL DEFERRED EQUITY	200,000	170,000	270,000	270,000	290,000
Non-spendable	17,830	17,482	16,650	17,147	16,627
Restricted	0	0	0	0	0
Committed	0	0	0	15,838	119,800
Assigned	946,934	562,599	453,771	558,720	594,213
Unassigned	3,388,686	3,432,977	3,451,191	3,393,364	3,413,009
TOTAL EQUITY	4,353,450	4,013,058	3,921,612	3,985,069	4,143,649
TOTAL LIABILITIES, DEFERRED & EQUITY	\$5,372,417	\$4,970,290	\$5,127,990	\$5,529,656	\$5,907,986

Prepared from Audited Financial Statements

TOWN OF HARPSWELL
COMPARATIVE STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES
GENERAL FUND

(For the Years Ended December 31,)

	2017	2016	2015	2014	2013
REVENUES					
Taxes	\$13,111,301	\$12,962,078	\$12,468,812	\$12,019,497	\$11,370,007
Intergovernmental	218,609	189,015	177,868	167,104	228,733
Miscellaneous	613,894	565,280	609,435	549,051	494,046
TOTAL REVENUES	13,943,804	13,716,373	13,256,115	12,735,652	12,092,786
EXPENDITURES					
General government	1,408,724	1,338,997	1,291,678	1,254,928	1,260,319
Public works	864,508	796,316	771,825	795,393	753,802
Protection and safety	1,175,971	1,120,188	1,128,732	1,097,257	949,396
Health and welfare	30,856	29,075	31,767	25,409	31,386
Cultural and recreation	292,767	282,745	269,162	256,931	241,491
Education	7,744,079	7,697,700	7,622,307	7,230,969	6,762,429
County tax	1,294,498	1,254,940	1,255,204	1,183,087	1,128,378
Overlay/abatements	1,468	108	1,953	766	3,243
Debt service	469,517	539,384	553,044	490,257	393,366
Capital projects	207,174	259,474	304,400	394,385	250,750
TOTAL EXPENDITURES	13,489,562	13,318,927	13,230,072	12,729,382	11,774,560
EXCESS OF REVENUES OVER EXPENDITURES	454,242	397,446	26,043	6,270	318,226
OTHER FINANCING SOURCES:					
Operating transfers in (out)	(113,850)	(306,000)	(89,500)	(164,850)	(160,850)
TOTAL OTHER SOURCES:	(113,850)	(306,000)	(89,500)	(164,850)	(160,850)
NET CHANGE IN FUND BALANCE	340,392	91,446	(63,457)	(158,580)	157,376
FUND BALANCE, JANUARY 1	4,013,058	3,921,612	3,985,069	4,143,649	3,986,273
FUND BALANCE, DECEMBER 31	\$4,353,450	\$4,013,058	\$3,921,612	\$3,985,069	\$4,143,649

Prepared from Audited Financial Statements

PROPERTY TAXATION

The principal tax of the Town is the tax on real and personal property. A single tax applies for each fiscal year to the assessed value of the taxable real or personal property. The Town's Tax Collector receives the tax commitment from the Town's Assessors (which includes assessments from MSAD 75 for its school budget; and County assessments) with assessed values as of April 1 of each year, after which time the tax bills are mailed. For fiscal 2018 the tax due dates are September 17, 2018 and December 17, 2018. All taxes paid after the due date are subject to interest established under Title 36, Section 505(4) of the Maine Revised Statutes, as amended, currently, at the rate of 6.0% per annum.

Real Estate Taxes

Collection of real estate taxes is ordinarily enforced in the Town by the "tax lien" procedure as provided in the Maine Revised Statutes, as amended, to the collection of delinquent real estate taxes. Real Estate Tax Liens are recorded against the individual property at the County Registry of Deeds. This lien has priority over all mortgages, liens, attachments and encumbrances of any nature, subject to any paramount federal tax lien and subject to bankruptcy and insolvency laws. If the account is not satisfied within 18 months, the property becomes tax acquired and may be disposed of by the Town.

Business Personal Property Tax

In 2006 the Maine Legislature enacted LD 2056, codified as Title 36, Chapter 105, Subchapter 4-C of the Maine Revised Statutes, as amended, which exempts from taxation, beginning with the April 1, 2008 tax year, various types of tangible business personal property subject to an allowance for depreciation and some specialty types of real property improvements. The exemption does not apply to: Office furniture; Lamps and lighting fixtures used to provide general purpose office or worker lighting; Property owned or used by public utilities and persons providing certain television/telecommunications services; Telecommunications personal property subject to the tax imposed by section 457 of Title 36; Gambling machines or devices and associated equipment; Property located at a retail sales facility unless such facility is more than 100,000 square feet in size and owned by a business whose Maine-based operations derive less than 30% of their total annual revenue from sales in the State.

Through the Business Equipment Tax Exemption Program ("BETE") the State will reimburse municipalities with respect to the lost property taxes associated with this new exemption through one of three formulas, whichever is most beneficial to the municipality, as follows:

1. Basic reimbursement formula - For all municipalities in the first year after the exemption, and for a majority of the municipalities thereafter, the reimbursement would be 100% for the lost property taxes in the first tax year after the exemption takes effect (i.e., FY 2009), 90% in the second year after the exemption takes effect (i.e., FY 2010), 80% in FY 2011, 70% in 2012, 60% in 2013, and 50% in 2014 and every subsequent year. The State Constitution requires a minimum reimbursement of at least 50%.
2. Enhanced formula - Municipalities that have a total property tax base that is made up of at least 5% personal property will be eligible for an alternative reimbursement formula any year in which the alternative reimbursement formula provides a higher level of reimbursement than the basic reimbursement formula. Those municipalities will be eligible to receive the 50% minimum reimbursement plus 50% of their tax base percentage that is made up of personal property. For example, if a town's tax base is 64% personal property, it would be eligible for a reimbursement rate of 82%, which is a combination of the minimum 50% reimbursement *plus* one-half of that municipality's 64% "personal property factor".
3. Municipal Retention TIF Districts – Certain TIF districts that were enacted prior to April 1, 2008 entitle a municipality to receive reimbursement at a rate of up to 100% for exempt business equipment that is TIF exempt business equipment as defined in Title 36, Section 691(1)(G) of the

Maine Revised Statutes, as amended. The increased reimbursement percentage is based on the tax increment percentage allocated to the municipality, as provided in Title 36, Section 694(2)(C) of the Maine Revised Statutes, as amended.

For the purposes of identifying the municipality's valuation for determining the local property tax rate, the value of all property made exempt by this legislation in the municipality must be considered part of that municipality's local valuation to the extent the municipality is being reimbursed for its lost property taxes by the State other than property located in, and the assessed value of which is retained in, a tax increment financing district.

The value of all property made exempt by this law in the Town will also be considered part of that municipality's equalized State Valuation to the extent the Town is being reimbursed for its lost property taxes by the state with an additional adjustment for property in a tax increment financing district. The law provides some additional security for the municipal reimbursement system by funding the reimbursements described above directly from State Income Tax receipts before those receipts are deposited into the State's General Fund, rather than as an annual General Fund appropriation.

Tax Collections

Fiscal Yr. End Dec. 31,	Equalized State Valuation (000)	Assessed Valuation (000)	Tax Rate (000)	Tax Levy	Collections (after Supplements and Abatements)		
					Year End	% of Levy	% of Levy A/O 12/31/17
2018	\$1,896,600	\$1,840,355	\$6.56	\$12,072,000	----- In Process -----		
2017	1,862,850	1,828,355	6.46	11,811,172	\$11,429,254	96.77%	96.77%
2016	1,852,450	1,816,410	6.40	11,625,025	11,360,772	97.73	99.69
2015	1,846,200	1,805,420	6.24	11,265,823	10,933,301	97.05	99.97
2014	1,797,900	1,782,195	6.10	10,903,298	10,546,755	96.73	99.99
2013	1,791,200	1,772,677	5.78	10,280,516	9,934,885	96.64	99.99
2012	1,908,650	1,767,527	5.76	10,180,956	9,806,584	96.32	99.99
2011	2,009,600	1,758,132	5.80	10,197,165	9,673,762	94.87	99.99
2010	2,005,900	1,754,452	6.00	10,526,710	10,080,412	95.76	99.99
2009	2,053,250	1,735,051	6.19	10,739,970	10,153,797	94.54	99.99
2008	1,983,850	1,717,307	6.19	10,630,131	10,188,233	95.80	99.99

Largest Taxpayers	Business	Assessed Value	Tax Levy	% of Total Levy
Central Maine Power	Utility	\$6,802,300	\$43,535	0.369%
Private Residence	Residence	5,471,400	35,017	0.296
Delmar Properties	Boatyard	4,348,100	28,089	0.238
Private Residence	Residence	4,080,600	26,361	0.223
Private Residence	Residence	3,475,700	22,444	0.190
Stuart Construction	Apartments	3,415,800	22,066	0.187
Private Residence	Residence	3,398,200	21,748	0.184
Private Residence	Residence	3,384,900	21,663	0.183
Private Residence	Residence	3,186,000	20,390	0.173
Private Residence	Residence	2,971,600	19,018	0.161
Top Ten Taxpayers				2.204%

NOTE: "Private Residence" - Taxpayers are identified on the Town's books and are, therefore, public record.

However, for the purpose of this financing individuals' names are not being published in deference to their privacy.

TAX INCREMENT FINANCING DISTRICTS AND AFFORDABLE HOUSING DEVELOPMENT DISTRICTS

Chapter 206 and former 207 (now repealed) of Title 30-A of the Maine Revised Statutes, as amended, enable a municipality to finance qualified development by borrowing against the future increased property tax receipts attributable to that development. Under the statutory framework, the municipality designates a tax increment financing (“TIF”) district or an affordable housing development district (a “housing district”) and adopts a development program (the “Development Program”) stating the means and objectives for the development of that district. The municipality may designate, or “capture”, all or a portion of the increase in assessed value resulting from development within the district and dedicate the increased property taxes it receives in future years generated by the “captured” assessed value to payment of the costs of the Development Program, which may include debt service on borrowing to fund such costs. Such districts are subject to statutory limits on their size, including the following limitations: (a) the total area of a single district may not exceed 2% of the total acreage of the municipality, (b) the total area of all TIF districts or housing districts within a municipality each may not exceed 5% of the total acreage of the municipality, and (c) the aggregate original assessed value of property of all TIF districts and the aggregate original assessed value of property of all housing districts within the municipality as of the April 1st preceding the date the Commissioner of the Department of Economic and Community Development, with respect to TIF Districts, or the Director of the Maine State Housing Authority, with respect to housing districts, approves the designation of any such district each cannot exceed 5% of the municipality’s total value of taxable property. Excluded from this limit as applicable to TIF districts is any district involving project costs in excess of \$10,000,000, the geographic area of which consists entirely of contiguous property owned by a single taxpayer with an assessed value in excess of 10% of the municipality’s total assessed value. In addition, the foregoing limitations do not apply to approved downtown TIF districts, TIF districts included within Pine Tree Development Zones or TIF districts that consist solely of one or more community wind power generation facilities owned by a community wind power generator that has been certified by the Public Utilities Commission pursuant to Title 35-A, Section 3403, subsection 3 of the Maine Revised Statutes, as amended.

The increase in assessed value captured by the municipality is excluded from the municipality’s equalized just value for each year’s State valuation filed with the Secretary of State in accordance with Title 36, Sections 208 and 305 of Maine Revised Statutes, as amended, and is therefore not included in calculating that municipality’s share of State educational aid, State municipal revenue sharing, the county tax. The Town does not have TIF districts but may consider proposals for districts on an ongoing basis.

REVENUES FROM THE STATE

The State provides revenue to the Town in a number of areas including aid to the Town in areas of education and road maintenance, reimbursement for general assistance, homestead exemption and BETE, and revenue sharing. The amount of revenue in each category is based upon a number of formulas, many of which contain variables that change annually. Further, most categories of State aid are governed by laws that may be changed by, and are subject to appropriation by, the State Legislature in its budgetary process.

The State subsidizes most local school administrative units through the Essential Programs and Services (“EPS”) model of calculating and distributing state education aid. EPS utilizes a number of factors that are subject to change each year. In addition, the EPS model itself is subject to change by the Legislature. Furthermore, subsidies for school administrative units are an annual item in the State’s budgetary process and are subject to legislative appropriation in that process. As a result of the Town’s relatively high property valuations, the Town does not receive any EPS state subsidy for its students, which could otherwise reduce the Town’s assessment by MSAD 75. The State does pay HCA directly for all of its Attending Students. The following table displays state aid received by the Town for the last five audited fiscal periods:

Fiscal Yr. End Dec. 31,	Revenue Sharing	Reimbursements		Other State	Total from State
		Homestead & BETE	General Assistance		
2017	\$65,751	\$88,437	\$7,772	\$56,649	\$218,609
2016	62,008	65,206	8,024	53,777	189,015
2015	68,480	44,449	8,066	56,873	177,868
2014	63,674	44,498	5,687	53,245	167,104
2013	90,839	40,247	8,995	88,652	228,733

INDEBTEDNESS

LIMITATIONS AND EXCLUSIONS

In accordance with Title 30-A, Section 5702 of the Maine Revised Statutes “No municipality shall incur debt which would cause its total debt outstanding at any time, exclusive of debt incurred for school purposes, for storm or sanitary sewer purposes, for energy facility purposes or for municipal airport purposes to exceed 7½% of its last full state valuation, or any lower percentage or amount that a municipality may set. A municipality may incur debt for school purposes to an amount outstanding at any time not exceeding 10% of its last full state valuation, or any lower percentage or amount that a municipality may set, for storm and sewer purposes to an amount outstanding at any time not exceeding 7½% of its last full state valuation, or any lower percentage or amount that a municipality may set, and for municipal airport and special district purposes to an amount outstanding at any time not exceeding 3% of its last full state valuation, or any lower percentage or amount that a municipality may set; provided, however, that in no event shall any municipality incur debt which would cause its total debt outstanding at any time to exceed 15% of its last full state valuation, or any lower percentage or amount that a municipality may set.” Title 30-A, Section 5703 of the Maine Revised Statutes provides that the limitations on municipal debt contained in Section 5702 do not apply “... to any funds received in trust by any municipality, any loan which has been funded or refunded, notes issued in anticipation of federal or state aid or revenue sharing money, tax anticipation loans, notes maturing in the current municipal year, indebtedness of entities other than municipalities, indebtedness of any municipality to the Maine School Building Authority, debt issued under Chapter 235 and Title 10, Chapter 110, Subchapter IV, obligations payable from revenues of the current municipal year or from other revenues previously appropriated by or committed to the municipality, and the state reimbursable portion of school debt.”

On February 1, 2018 the Town’s equalized state valuation (“equalized State Valuation”) was \$1,896,600,000. The 15% debt limit is \$284,490,000. As of December 31, 2017 the Town’s long term debt outstanding was \$1,700,000 or 0.08963% of its 2018 equalized State Valuation.

DEBT SUMMARY

<u>Date of Issue</u>	<u>Issue Amount</u>	<u>Date of Final Mat</u>	<u>As of 12/31/2017</u>	<u>Payments</u>	<u>Projected 12/31/2018</u>
10/30/2008	\$500,000	11/1/2018	\$50,000	(\$50,000)	\$0
5/28/2009	650,000	11/1/2019	130,000	(65,000)	65,000
10/28/2010	360,000	11/1/2020	180,000	(60,000)	120,000
5/26/2011	800,000	11/1/2021	320,000	(80,000)	240,000
5/23/2013	1,000,000	11/1/2023	600,000	(100,000)	500,000
8/20/2014	600,000	8/20/2024	420,000	(60,000)	360,000
	Sub-total		1,700,000	(415,000)	1,285,000
4/5/2018	3,500,000	12/15/2038	<u>0</u>	<u>0</u>	<u>3,500,000</u>
	Totals		\$1,700,000	(\$415,000)	\$4,785,000

DEBT RATIOS

Fiscal Yr. End Dec. 31,	Population	Equalized State Val. (000)	Assessed Valuation (000)	Total Debt	Debt as % Eq. Val.	Per Capita Debt
2017	4,740	\$1,862,850	\$1,828,355	\$1,700,000	0.09%	\$358.65
2016	4,740	1,852,450	1,816,410	2,115,000	0.11%	446.20
2015	4,740	1,846,200	1,805,420	2,588,334	0.14%	546.06
2014	4,740	1,797,900	1,782,195	3,061,668	0.17%	645.92
2013	4,740	1,791,200	1,772,677	2,875,002	0.16%	606.54
2012	4,740	1,908,650	1,767,527	2,188,335	0.11%	461.67
2011	4,740	2,009,600	1,758,132	2,541,668	0.13%	536.22
2010	4,740	2,005,900	1,754,452	2,085,001	0.10%	439.87
2009	5,239	2,053,250	1,735,051	2,038,334	0.10%	389.07
2008	5,239	1,983,850	1,717,307	1,886,667	0.10%	360.12

PROJECTED GENERAL OBLIGATION DEBT SERVICE REQUIREMENTS

Fiscal Yr. End Dec. 31,	Prior Debt			Projected Debt (This Issue)			Projected Total Debt Service
				Pro-forma			
	Principal	Interest	Total	Principal	Interest	Total	
2018	\$415,000	\$35,643	\$450,643	\$0	\$81,875	\$81,875	\$532,518
2019	365,000	26,292	391,292	0	117,900	117,900	509,192
2020	300,000	20,224	320,224	0	117,900	117,900	438,124
2021	240,000	13,876	253,876	195,000	117,900	312,900	566,776
2022	160,000	8,760	168,760	195,000	108,150	303,150	471,910
2023	160,000	5,140	165,140	195,000	98,400	293,400	458,540
2024	60,000	1,380	61,380	195,000	88,650	283,650	345,030
2025				195,000	82,800	277,800	277,800
2026				195,000	76,950	271,950	271,950
2027				195,000	71,100	266,100	266,100
2028				195,000	65,250	260,250	260,250
2029				195,000	59,400	254,400	254,400
2030				195,000	53,550	248,550	248,550
2031				195,000	47,700	242,700	242,700
2032				195,000	41,850	236,850	236,850
2033				195,000	36,000	231,000	231,000
2034				195,000	30,150	225,150	225,150
2035				195,000	24,300	219,300	219,300
2036				195,000	18,206	213,206	213,206
2037				190,000	12,113	202,113	202,113
2038				190,000	6,175	196,175	196,175
TOTAL	\$1,700,000	\$111,316	\$1,811,316	\$3,500,000	\$1,356,319	\$4,856,319	\$6,667,634

PROJECTED ANNUAL PRINCIPAL PAYMENTS

Yr. End Dec 31,	2008	2009	2010	2011	2013	2014	2018	Total
2018	\$50,000	\$65,000	\$60,000	\$80,000	\$100,000	\$60,000	\$0	\$415,000
2019		65,000	60,000	80,000	100,000	60,000	0	365,000
2020			60,000	80,000	100,000	60,000	0	300,000
2021				80,000	100,000	60,000	195,000	435,000
2022					100,000	60,000	195,000	355,000
2023					100,000	60,000	195,000	355,000
2024						60,000	195,000	255,000
2025							195,000	195,000
2026							195,000	195,000
2027							195,000	195,000
2028							195,000	195,000
2029							195,000	195,000
2030							195,000	195,000
2031							195,000	195,000
2032							195,000	195,000
2033							195,000	195,000
2034							195,000	195,000
2035							195,000	195,000
2036							195,000	195,000
2037							190,000	190,000
2038							190,000	190,000
	\$50,000	\$130,000	\$180,000	\$320,000	\$600,000	\$420,000	\$3,500,000	\$5,200,000

OVERLAPPING DEBT

County of Cumberland

The Town is subject to an annual assessment of its proportional share of the County of Cumberland's (the "County") expenses, including debt repayment, as determined by the percentage of the Town's equalized State Valuation to the County's equalized State Valuation. At February 1, 2018 the Town's equalized State Valuation of \$1,896,600,000 was 4.31% of the County's equalized State Valuation of \$44,050,350,000. The Town's share is 4.31%, or \$1,551,713, of the County's \$36,040,000 long-term debt outstanding as of December 31, 2017. This share of debt represents approximately 0.08% of debt as a percentage of the Town's 2018 equalized State Valuation; and \$327.37 per capita debt.

MSAD 75

The Town is responsible for its proportionate share of MSAD 75's capital leases and long-term debt. The debt service is included in MSAD 75's annual assessment to the Town. For the fiscal year ending December 31, 2017 the Town was assessed at 20.37%, or \$7,744,080 for its portion of MSAD 75's \$38,019,495 assessment. As of fiscal year ending June 30, 2017 MSAD 75 had \$9,612,367 of capital leases and long-term debt outstanding of which the Town's share was 37.56%, or \$3,610,404. This share of debt represents approximately 1.90% of debt as a percentage of the Town's 2018 equalized State Valuation; and \$761.69 per capita debt.

CONTINGENT DEBT

The Town does not have any contingent obligations.

TOTAL GENERAL OBLIGATION, OVERLAPPING AND CONTINGENT DEBT

	Direct Debt	Overlapping	Contingent	Total Debt
Town of Harpswell	\$1,700,000		\$0	\$1,700,000
County of Cumberland		\$1,551,713	0	1,551,713
MSAD 75		3,610,404	0	3,610,404
Totals as of 2017 FY end	\$1,700,000	\$5,162,117	\$0	\$6,862,117
% 2018 ESV	0.089%	0.272%	0.000%	0.362%
Per Capita	\$358.65	\$1,089.05	\$0.00	\$1,447.70

FUTURE FINANCING

The Town administrative staff develops a formal Capital Improvement Program which is submitted to the Town's Board of Selectmen (see "TOWN FINANCES - CAPITAL IMPROVEMENT PROGRAM" herein). The CIP includes an inventory of possible capital projects, some of which may ultimately be included in the CIP, and is be an indication of future projects that may be financed through the issuance of debt

Other than the Bonds of this financing the Town has no authorized but un-issued debt or obligations that it expects to finance through bond issues over the next year.

RETIREMENT

A. DEFINED BENEFIT PENSION PLAN (MainePERS)

Description of the Plan

Effective March 14, 1998 the Town has withdrawn from Maine Public Employees Retirement System ("MainePERS"), a cost-sharing multiple-employer defined benefit pension plan for its employees participating in the Regular Plan AC, and the Plan is no longer offered to new Town employees. However, certain employees participating in Plan AC prior to the Town's withdrawal may have elected to continue with the plan. Those employees already in the Plan may continue under the same terms or may terminate and join the Town's deferred compensation plan.

For eligible employees, the Town is a "participating local district" pursuant to Regular Plan AC of the Consolidated Plan for Participating Local Districts (the "Plan") ("CPPLD") and contributes to Maine Public Employees Retirement System's ("MainePERS") successor to the Maine State Retirement System ("MSRS"), a cost-sharing multiple-employer defined benefit pension plan. The MSRS was established in 1942, and effective September 20, 2007, by virtue of Chapter 58 of the Public Laws of 2007, MSRS was renamed MainePERS, successor to MSRS. MainePERS was established and is administered under the Maine State Retirement System Laws, Title 5, Chapters 421, 423 and 425 of the Maine Revised Statutes, as amended. The MainePERS CPPLD provides retirement and disability benefits, annual cost-of-living adjustments and death benefits to plan members and beneficiaries. The authority to establish and amend benefit provisions rests with the State legislature. The MainePERS issues a publicly available financial report that includes financial statements and required supplementary information for the CPPLD. That report may be obtained by writing the Maine Public Employees Retirement System, 46 State House Station, Augusta, Maine 04433-0046 or by calling (800) 451-9800.

Funding Policy

Regular Plan AC members are required to contribute 8.0% of their annual covered salary; and the Town is required to contribute at an actuarially determined rate, currently 9.6% of covered payroll. The Town's contributions to the MainePERS-CRP for the year ended December 31, 2017 was \$10,993.

At December 31, 2017, the Town reported a liability of \$112,010 for its proportionate share of the net pension liability. At June 30, 2016 (the most recent period available), the Town's proportion of the PLD plan was 0.021081%. For the year ended December 31, 2017, the Town recognized pension expense of \$6,104. At December 31, 2017, the Town reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience:	\$1,358	\$7,205
Changes of Assumptions:	12,008	-
Net difference between projected and actual earnings on pension investments:	41,391	17,227
Changes in proportion and differences between contributions and proportionate share of contributions:	1,886	3,365
The Town's contributions subsequent to the measurement date:	10,856	-
Total:	\$67,499	\$27,797

The \$10,856 of deferred outflows of resources resulting from the Town's contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the Plan year ending December 31, 2018. Other amounts reported as deferred outflows of resources and deferred inflows of resources will be netted and recognized in pension expense (reduction in expense) as follows:

<u>Year ended June 30,</u>	<u>PLD Plan</u>
2017	\$3,248
2018	5,151
2019	13,993
2020	6,456
2021	-
Thereafter	-

Actuarial Methods and Assumptions

The collective total pension liability for the Plan was determined by an actuarial valuation. The methodology and assumptions of this valuation are detailed in "APPENDIX A - TOWN OF HARPSWELL, MAINE, FINANCIAL AUDIT REPORT FOR THE YEAR ENDED DECEMBER 31, 2017", NOTE - MAINE PUBLIC EMPLOYEES RETIREMENT SYSTEM" page 40 et seq. herein.

B. DEFINED BENEFIT PENSION PLAN (IAM)

The IAM National Pension Fund (the "IAM Plan") is a multi-employer, cost-sharing defined benefit pension plan governed by a joint Board of Trustees consisting of an equal number of members representing Labor and Management. Non-salaried employees of the Town's recycling center (three employees) are members of a collective bargaining unit whose contract with the Town provides for those employees' participation in the Plan.

The Town contributes a fixed rate, currently \$2.05, for each hour reported by the employee once the probationary period has been completed, but not later than sixty days after the date of hire. No voluntary contributions by the employees are allowed under the IAM Plan. The contribution rate is established through the collective-bargaining agreement as approved by the Board of Selectmen. The Town's contributions, and therefore its expense, for the years ended December 31, 2017, 2016 and 2015 totaled \$12,103, \$11,427, and \$11,529, respectively.

An employee's monthly pension benefit is determined by the IAM Plan, based on years of credited service, the contribution rate paid by the employer, age at retirement and the form of payment selected by the employee. The Town has no ability to establish or amend benefits under the IAM Plan.

The funds contributed by the Town to the IAM Plan are held in trust by the I.A.M. National Pension Fund for the exclusive use of benefit participants and their beneficiaries. Accordingly, the assets and the liability for the compensation deferred by plan participants, including earnings on plan assets, are not included in the Town's financial statements.

The I.A.M. National Pension Fund prepares an Annual Funding Notice which is available at www.iamnpf.org. The Fund's Annual Report is filed with the Department of Labor and may be obtained at www.efast.dol.gov.

C. DEFERRED COMPENSATION PLAN

The Town offers its employees a deferred compensation plan through the International City/County Management Association Retirement Corporation ("ICMA-RC") created in accordance with Section 457(k) of the Internal Revenue Code, as amended. The plan, available to all Town employees at their option, permits participants to defer a portion of their salary until future years. The deferred compensation is not available to employees until termination, retirement, death or unforeseeable emergency.

The Town's computed contribution to this plan for the year ended December 31, 2017, 2016 and 2015 was \$25,624, \$26,135 and \$23,248 respectively. Assets of the plan are placed in trust for the exclusive benefit of participants and their beneficiaries. Accordingly, the assets and the liability for the compensation deferred by plan participants, including earnings on plan assets, are not included in the Town's financial statements.

D. OTHER POST EMPLOYMENT BENEFITS

The Town is a member of the Maine Municipal Employees Health Trust ("MMEHT"), an agent multiple-employer healthcare plan that provides employment and postemployment healthcare benefits. Employees eligible to retire under MainePERS or ICMA are eligible to participate in the retiree health benefit offered by MMEHT. Eligible retirees are required to pay 100% of the health insurance premiums to receive healthcare benefits. For non-Medicare eligible retirees, premiums are the same as for active employees. Medicare eligible retirees pay reduced premiums and the coverage is adjusted to supplement Medicare.

While there is no direct liability for the Town, under GASB 75, which the Town will be required to adopt for its 2018 financial statements, the Town will be required to disclose its indirect liability. This indirect liability exists as a result of retirees paying the same premium as the Town pays for employees, an implied subsidy. The measurement of this subsidy will be estimated through an actuarial valuation the result of which is unknown at this time.

ENVIRONMENTAL MATTERS

The Town is subject to a wide variety of federal and State laws and regulations relating to land use, water resources, sewage disposal, the use, storage, discharge, emission and disposal of wastes and other environmental matters. While the Town believes that its properties and operations are presently in material compliance with all land use and environmental laws, failure to comply with such laws could result in the imposition of severe penalties on operations by government agencies or courts that could adversely affect the Town. The Town is not aware of any environmental conditions or non-compliance, the remediation or correction of which the Town believes would have a material adverse impact on the financial condition of the Town.

The Town is not subject to any pending or threatened proceedings or actions involving environmental matters that, if adversely decided, would have a material adverse impact upon the Town's financial condition or ability to pay debt service on the Bonds as and when due.

LITIGATION

In the opinion of Town officials there is no litigation pending against the Town that, either individually or in the aggregate, would result in judgments that would have a materially adverse effect on the Town's financial position or its ability to meet its debt service obligations.

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APPENDIX A

**TOWN OF HARPSWELL, MAINE
AUDITED FINANCIAL STATEMENTS
FOR THE
YEAR ENDED DECEMBER 31, 2017**

(With Report of Independent Auditors' Thereon)

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TOWN OF HARPSWELL, MAINE

Annual Financial Report

For the Year Ended December 31, 2017

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TOWN OF HARPSWELL, MAINE
Annual Financial Report
For the Year Ended December 31, 2017

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Proven Expertise and Integrity

INDEPENDENT AUDITORS' REPORT

Board of Selectmen
Town of Harpswell
Harpswell, Maine

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, each major fund and the aggregate remaining fund information of the Town of Harpswell, Maine, as of and for the year ended December 31, 2017, and the related notes to the financial statements, which collectively comprise the Town of Harpswell, Maine's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion.

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An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the Town of Harpswell, Maine, as of December 31, 2017, and, the respective changes in financial position and, where applicable, cash flows thereof and the respective budgetary comparison for the General Fund for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and pension related information on pages 5 through 12 and 21 through 22 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Town of Harpswell, Maine's basic financial statements. The combining and individual nonmajor fund financial statements are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The combining and individual nonmajor fund financial statements are the responsibility of management and were derived from and related directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the combining and individual nonmajor fund financial statements schedules are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated January 31, 2018, on our consideration of the Town of Harpswell, Maine's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Town of Harpswell, Maine's internal control over financial reporting and compliance.

R.H.R. Smith & Company

Buxton, Maine
January 31, 2018

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TOWN OF HARPSWELL, MAINE
Management's Discussion and Analysis
December 31, 2017

As management of the Town of Harpswell, Maine, we present this narrative to provide you with an overview and analysis of our annual financial statements for the year ended December 31, 2017. This information, in conjunction with the notes to the financial statements, can be considered when reading the Town's financial statements.

Financial Highlights

- ❖ The total net position (total assets less liabilities) of the Town of Harpswell is \$14,333,626. Total assets include the costs, net of accumulated depreciation, of the Town's capital assets which totaled \$11,554,951 at December 31, 2017. Capital assets include the Town's infrastructure assets, (i.e., roads and dry hydrants), as well as Town-owned land, buildings and equipment, and an easement.
- ❖ The Statement of Activities shows an increase in net position of \$469,235 for the fiscal year.
- ❖ During 2017, the Town repaid \$421,000 of principal on its long-term borrowings as scheduled and incurred interest of \$47,996 on its long and short-term borrowings.
- ❖ The 2017 Town Meeting authorized an amount not to exceed \$5 million to fund the demolition of an industrial pier at Mitchell Field. Work on this project, which is currently expected to cost \$3.5 million, was begun in December of 2017. Costs in the amount of \$350,750 were incurred in 2017 and funded with the proceeds of a Bond Anticipation Note.
- ❖ The ending fund balance for all governmental funds is \$4,786,883. The ending fund balance for the General Fund is \$4,353,450, an increase of \$340,392 from the previous year. Of this balance, \$946,934 is assigned for specific purposes, and \$17,830 is nonspendable. This leaves an unassigned balance of \$3,388,686, which is sufficient for compliance with the Town's Fund Balance Policy. This Policy requires the Town to maintain a minimum unassigned fund balance of one month, 8.33% (with a target of two months) of operating expenditures, defined as the total of prior year's general fund expenditures less any expenditure made from reserve funds.
- ❖ In addition to its General Fund, the Town has funds restricted for capital projects, which include an interest-bearing dedicated fund for emergency vehicle purchases (\$195,018); a fund for road projects (\$67,315); and a fund for the demolition of the Mitchell Field pier (\$124,250). The Town also has funds for its special revenue activities, which include recreation programs (\$46,469) and grants (\$381).

Overview of Financial Statements

The Town of Harpswell's basic financial statements are comprised of three components: (1) government-wide financial statements, (2) fund financial statements, and (3) notes to the financial statements. This report also contains other supplemental information in addition to the basic financial statements.

Government-wide Financial Statements

The *government-wide financial statements* provide a broad overview of the Town of Harpswell's finances, in a manner similar to private-sector business. Financial information is presented in two statements – *statement of net position* and *statement of activities*.

The *statement of net position* presents information about the Town's assets and liabilities, with the difference between the two reported as *net position*. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the Town is improving or deteriorating.

The *statement of activities* presents information about how the Town's net position has changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g., uncollected taxes and earned but unused vacation leave).

Both of the government-wide financial statements distinguish functions of the Town of Harpswell that are principally supported by taxes and intergovernmental revenues. The governmental activities of the Town of Harpswell include general government, public works (roads, solid waste disposal, snow removal), protection and safety (law enforcement, fire protection, rescue services), health and welfare, culture and recreation, debt service and capital expenses.

Fund Financial Statements

A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The Town of Harpswell, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on *near-term inflows and outflows of spendable resources*, as well as on *balances of spendable resources* available at the end of the fiscal year. Such information may be useful in evaluating a government's near-term financing requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the Town's near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between *governmental funds and governmental activities*.

The Town of Harpswell maintains six individual governmental funds. Information for the General Fund, the Road Project Fund, and the Mitchell Field Pier Demolition Fund are presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances. Data from the other three governmental funds are combined into a single, aggregated presentation. Individual fund data for each of these non-major governmental funds is provided in the form of *combining statements* elsewhere in the report.

The Town of Harpswell adopts an annual appropriated budget for its General Fund. A budgetary comparison statement has been provided for the General Fund to demonstrate compliance with this budget.

The basic governmental fund financial statements can be found on pages 19-20 of this report.

Notes to the financial statements. The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 26-44 of this report.

Other information. The combining statements referred to earlier in connection with non-major governmental funds are presented immediately following the notes to the financial statements. Combining and individual statements and schedules can be found on pages 47-57 of this report.

TOWN OF HARPSWELL, MAINE
Management's Discussion and Analysis, Continued

Statement of Net Position Information

The following information is a condensed version of the Statement of Net Position.

Net Position

	Governmental Activities	
	<u>2017</u>	<u>2016</u>
Assets:		
Current & other assets	\$ 5,372,417	\$ 4,970,290
Receivable-Harpswell Coastal Academy	80,000	90,000
Capital assets	11,554,951	11,127,942
Total Assets	<u>17,007,368</u>	<u>16,188,232</u>
Deferred Outflows of Resources		
Deferred outflows related to pensions	67,499	41,028
Liabilities:		
Bond anticipation note	(475,000)	-
Long-term debt outstanding	(1,844,222)	(2,133,000)
Other liabilities	(394,222)	(191,216)
Total Liabilities	<u>(2,713,444)</u>	<u>(2,324,216)</u>
Deferred Inflows of Resources		
Deferred inflows related to pensions	(27,797)	(40,653)
Net Position:		
Net investment in capital assets	9,492,201	8,928,363
Restricted	386,964	650,848
Unrestricted	4,454,461	4,285,180
Total Net Position	<u>\$14,333,626</u>	<u>\$13,864,391</u>

The Town's Total Net Position increased by \$469,235 during 2017.

Asset changes included an increase in cash balances of \$270,387. Capital assets increased in 2017 primarily as a result of the purchase of a pumper for \$413,394 which is being leased to one of the Town's volunteer fire departments.

The Bond Anticipation Note provides short-term financing for the Mitchell Field pier demolition project. The Town has the ability to draw up to \$3.5 million in principal on this Note, which is expected to be refinanced with long-term general obligation bonds in the first half of 2018.

Long-term debt obligations decreased in 2017 by \$421,000, as principal repayments were made as scheduled and there was no new long-term borrowing. Other long-term liabilities in 2017 include the Town's proportionate share of the net pension liability of the Maine Public Employees Retirement System (\$112,010). Additionally, prepaid taxes (\$284,898) increased significantly in 2017 due to changes in the U.S. tax law.

TOWN OF HARPSWELL, MAINE
Management's Discussion and Analysis, Continued

66.2% of the Town's Net Position at December 31, 2017 is represented by its capital assets less any outstanding debt that was used to acquire those assets. Although the Town's investment in capital assets is reported net of related debt, the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

\$386,964 of the 2017 Net Position (2.7%) is restricted for capital projects and grants. This includes \$195,018 for the purchase of emergency services vehicles, \$67,315 for capital road projects, and \$124,250 for the demolition of the Mitchell Field pier. Unrestricted Net Position includes amounts assigned or committed for expenditures for certain purposes in subsequent years.

Statement of Activities Information

The following information is a condensed version of the Statement of Activities.

		Changes in Net Position	
		Governmental Activities	
		<u>2017</u>	<u>2016</u>
Revenues:			
Program Revenues			
Charges for services	\$	219,194	\$ 218,748
Operating grants & contributions		107,144	73,377
General Revenues			
Property and excise taxes		13,124,488	12,844,167
Intergovernmental		175,257	145,967
Interest earned		11,174	8,756
Other		429,648	389,480
Total revenues		<u>14,066,905</u>	<u>13,680,495</u>
Expenses:			
General government		1,476,645	1,391,842
Public works		1,079,794	1,021,114
Protection and safety		1,294,404	1,219,228
Health and welfare		30,856	29,075
Culture and recreation		366,810	391,111
Education		7,744,079	7,697,700
County taxes		1,294,498	1,254,940
Overlay/abatements		1,468	108
Interest on long-term debt		47,996	57,307
Capital and special projects		261,120	320,903
Total expenses		<u>13,597,670</u>	<u>13,383,328</u>
Increase/(decrease) in net position		<u>\$469,235</u>	<u>\$297,167</u>

Governmental Activities

Governmental activities increased the Town's net position by \$469,235 as a 1.6% increase in expenses was offset by a 2.8% increase in revenues. Total program revenues increased by \$34,213 or 11.7% on a year to year basis, with the increase occurring in operating grants and contributions (\$33,767). The increase in grants resulted primarily from the Town obtaining two substantial Cumberland County Development Block Grants for the Orr's/Bailey's Islands Fire station renovations and a home repair program for seniors.

TOWN OF HARPSWELL, MAINE
Management's Discussion and Analysis, Continued

Property and excise tax revenues increased from 2016 by \$190,139 and \$90,182, respectively. The mil rate increased from \$6.40 to \$6.46. License, permits and fees increased by \$14,486, primarily due to an increase in land use permits. The State homestead exemption reimbursement increased by \$23,231 and the cable franchise fees increased by \$11,509.

Expenses relating to capital and special projects in the Statement of Activities exclude \$836,814 in net capital outlays which have been capitalized in the Statement of Net Position. Other expenses declined as increases in expenses used to fund vehicles used by contracted law enforcement and marine patrol deputies were offset by a decline in funding of the Harpswell Heritage Land Trust and certain pre-demolition activities at the pump house related to the Mitchell Field pier.

To aid in the understanding of the Statement of Activities, some additional explanation is provided. Please note that the format differs from that of the Statement of Revenues, Expenditures, and Changes in Fund Balances. Expenses for each activity are listed in the left-most column with revenues generated by that particular activity reported to the right. Subtracting one from the other results in a Net (Expense)/Revenue. This format provides information about the relative financial burden on the Town's taxpayers of each activity. It should be noted, however, that while these revenues may be generated by specific activities, the Town does not have dedicated revenue sources, except for recreation programs whose revenues, to the extent they exceed program costs, are retained for future programs. Accordingly, revenues from specific activities are deposited to the Town's General Fund, as are all tax payments received. From this fund, the Town makes all its expenditures.

Examples of activities which produce some level of revenue are:

<i>Public works</i>	Transfer Station fees and recycling revenues Local Road Assistance
<i>Health and welfare</i>	General Assistance state reimbursement
<i>Cultural and recreational</i>	Fees for recreation programs and bandstand donations
<i>Capital and special projects</i>	Grants for restricted projects

All other governmental revenues are reported as general revenues. It is important to note that all taxes are classified as general revenue, even if restricted for a specific purpose.

TOWN OF HARPSWELL, MAINE
Management's Discussion and Analysis, Continued

Net Cost of Governmental Activities

The following information is a breakdown of each of the Town's major functional activities.

Net Cost of Governmental Activities

Function / Program	Total Cost of Services		Net Cost of Services	
	<u>2017</u>	<u>2016</u>	<u>2017</u>	<u>2016</u>
General government	\$1,476,645	\$1,391,842	\$1,476,645	\$1,391,842
Public works	1,079,794	1,021,114	863,179	809,874
Protection and safety	1,294,404	1,219,228	1,294,404	1,219,228
Health and welfare	30,856	29,075	23,084	21,051
Culture and recreation	366,810	391,111	315,585	340,733
Education	7,744,079	7,697,700	7,744,079	7,697,700
County taxes	1,294,498	1,254,940	1,294,498	1,254,940
Overlay/abatements	1,468	108	1,468	108
Interest on long-term debt	47,996	57,307	47,996	57,307
Capital and special projects	261,120	320,903	210,394	298,420
Total governmental activities	\$13,597,670	\$13,383,328	\$13,271,332	\$13,091,203

Total Cost of Services and Net Cost of Services increased from 2016 to 2017 by 1.6% and 1.4%, respectively.

FINANCIAL ANALYSIS OF THE TOWN'S FUNDS

As of December 31, 2017, the Town's governmental fund balance totaled \$4,786,883.

As noted earlier, the Town uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. The financial performance of the Town as a whole is reflected in its governmental funds.

Governmental funds: The focus of the Town's governmental funds is to provide information on near-term inflows, outflows, and balances available for spending. Governmental funds report the differences between their assets, liabilities and deferred inflows as fund balances. Nonspendable, committed, restricted and assigned amounts reflect that which is not available to be spent while unassigned amounts reflect amounts that are.

GENERAL FUND BUDGETARY HIGHLIGHTS

The Town's General Fund balance increased from \$4,013,058 in 2016 to \$4,353,450 in 2017. The increase was attributable to an excess of revenues over expenditures of \$454,242, less the transfer of \$100,000 to the emergency vehicles fund and \$13,850 for recreation programs. Additionally, Town Meeting authorized the use of \$470,000 of unassigned fund balance to reduce the tax commitment. A Special Town Meeting authorized the use of \$50,000 from unassigned fund balance for assistance with the Federal Emergency Management Agency's flood map revisions.

The 2017 Town Meeting authorized an amount not to exceed \$5 million to fund the demolition of an industrial pier at Mitchell Field. Work on this project, which is currently expected to cost \$3.5 million, was begun in December of 2017. Costs in the amount of \$350,750 were incurred in 2017 and funded with the proceeds of a Bond Anticipation Note.

Revenues: 2017 property tax revenue increased by \$190,139 relative to 2016. Total appropriations increased by \$306,676 with increases in the MSAD 75 assessment of \$46,379, in the County tax of \$39,558 and in total municipal appropriations of \$134,740 (2.7%). Overlay increased in 2017 by \$85,999.

The Town experienced an increase in non-property tax revenue sources in 2017, primarily in excise tax receipts, the Town's largest source of non-property tax revenue, which increased by \$90,182. There was also an increase in licenses and permit fees (\$14,486), and in the cable franchise fees (\$11,509). The State Homestead exemption reimbursement increased in 2017 by \$23,231.

TOWN OF HARPSWELL, MAINE
Management's Discussion and Analysis, Continued

The 2017 mil rate increased to \$6.46 from \$6.40 and the property tax base expanded by approximately \$11.9 million. Of the 2017 commitment, 96.77% was collected prior to year-end. A healthy collection rate has been experienced for several years.

Unexpended Appropriations. Notable unexpended appropriations lapsing to the General Fund in 2017 occurred in the areas of Cedar Beach/Cedar Island (\$41,417), municipal fire assistance (\$39,131), and employee benefits (\$37,720). The matter relating to Cedar Beach/Cedar Island was resolved and the Town Meeting required the lapsing of the remaining funds on December 31, 2017. With respect to municipal fire assistance for the volunteer entities, the planned hiring of per diem firefighters was delayed from 2017 to 2018 generating a positive variance (expenditures were less than the budgeted amount) of \$87,131. Of this amount, \$48,000 is being carried over into 2018 for firefighting equipment for the new firefighters. The employee benefits budget was not fully utilized as eligible employees declined to participate in the Town's health insurance program and 457 deferred compensation plan.

Overlay. Of the \$137,871 raised for overlay, \$1,468 was used to provide abatements and the remainder lapsed to the General Fund.

Contingency. The contingency fund was increased by a \$10,000 appropriation in 2017 and there was no use of contingency in 2017.

Harpswell maintains a healthy General Fund balance, which when supplemented with tax anticipation note financing, is used to fund expenditures until such time as property tax revenue is collected.

The annual Town Meeting, which is held in March of each year, votes on the budget as recommended by the Selectmen.

CAPITAL ASSET AND DEBT ADMINISTRATION

At the end of 2017, the Town's investment in capital assets, net of accumulated depreciation was \$11,554,951 and its outstanding debt \$ 2,187,000, including \$475,000 drawn against a Bond Anticipation Note. All outstanding debt was incurred for capital purposes. The Bond Anticipation Note, which has a principal amount not to exceed \$3.5 million, will be used to demolish the Mitchell Field pier which was constructed by the U.S. Navy and transferred to the Town in 2001. The Note, which is repayable on or before May 30, 2018, is expected to be replaced by 20 year General Obligation Bonds of the Town of Harpswell prior to that date. The remaining outstanding debt of \$1,712,000 funded either road projects (\$1,470,000) or the emergency services vehicles account (\$230,000). Additionally, the Town is a party of a capital lease which funded, in part, the purchase of certain media equipment. A lease balance of \$12,000 was outstanding at the end of 2017. The two remaining principal payments will be funded by grants to the Town by the holder of its cable franchise.

Net Investment in Capital Assets

	Capital Assets		Accumulated Depreciation		Net Investment in Capital Assets	
	<u>2017</u>	<u>2016</u>	<u>2017</u>	<u>2016</u>	<u>2017</u>	<u>2016</u>
Land	\$2,164,271	\$2,164,271	-	-	\$2,164,271	2,164,271
Construction in progress	350,750	4,489	-	-	350,750	4,489
Other non-depreciable assets	281,900	281,900	-	-	281,900	281,900
Buildings and building						
Improvements	4,237,097	4,237,097	(2,452,209)	(2,368,711)	1,784,888	1,868,386
Equipment, vehicles and furniture	2,837,689	2,419,988	(1,148,110)	(1,002,319)	1,689,579	1,417,669
Infrastructure	7,964,988	7,939,176	(2,681,425)	(2,547,949)	5,283,563	5,391,227

TOWN OF HARPSWELL, MAINE
Management's Discussion and Analysis, Continued

The 2017 increase in construction in progress includes \$350,750 in payments for demolition work on the Mitchell Field pier. The Town has entered into contracts related to the demolition project which total \$3,197,515. The project is expected to be completed during 2018, at which time project costs will be classified as a land improvement of the Mitchell Field property, a 119 acre deep-water site.

Additions to Equipment, vehicles and furniture in 2017 include the purchase of a pumper for \$413,394 that is leased to the Cundy's Harbor Volunteer Fire Department. Other additions include two floats used at the Pott's Point dock and the completion of upgrades to the Truffant-Summerton field, which were begun in 2016.

Infrastructure assets increased by \$64,940 in 2017 as Oceanside Road on Bailey Island was rehabilitated. The road rehabilitation also resulted in the removal of \$39,128 and \$27,390 from cost of infrastructure and accumulated depreciation of infrastructure, respectively.

Looking forward, the Town will continue to assess the need to upgrade the infrastructure at Mitchell Field, a major asset with business development possibilities. Additionally, the Town anticipates replacing the industrial pier at Mitchell Field with a seasonal float and ramp facility serving a wide range of users. This facility may cost in the neighborhood of \$320,000 and the Town expects to seek grant funding for half that amount.

Another major capital project under consideration is the construction of a fire station in a central location near the Town office. While initial site planning and architectural design has not yet been completed, it is thought that the station may cost as much as \$2 to \$3 million.

The recycling center building is approaching 40 years old. Rehabilitation of the building, which will follow the assessment of the neighboring site for the central fire station, may cost \$120,000. Additionally, the Town will consider moving to a four compactor system at the recycling center, the cost of which is estimated to be \$300,000. Finally, replacement of a backhoe used primarily at the transfer station is expected to cost about \$125,000 and is expected to be purchased in 2018.

Generally, the Town expects that its long-term capital needs, including its ongoing road rehabilitation and emergency vehicles programs, will be funded with a combination of existing capital reserves and annual appropriations to increase those reserves. Expenditures of up to \$5 million for the Mitchell Field pier demolition project were authorized, however, the Town believes that total costs will not exceed \$3.5 million. Upon completion of the pier demolition project, the Town will re-assess its debt capacity and determine whether its capital needs should be funded with additional borrowing.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET AND RATES

Since the downturn of 2008, the area's economy has shown signs of steady improvement. A key indicator for the Town is the amount of vehicle excise tax collected during the calendar year. In 2017, the Town's estimate was exceeded by over \$90,000, with revenue totaling almost \$1.3 million. The excise estimate, which is the largest non-property tax revenue category used to offset committed taxes, is expected to continue its upward trend. Other revenue such as the State of Maine's revenue sharing has been holding steady over the last several years at about \$65,000 a year. The Town's fund balance policy was amended in 2015 to allow for greater flexibility in terms of the amount of fund balance that can be used to offset anticipated tax increases.

While the 2018 budget has been developed and is anticipated to increase appropriations by less than 3.5%, it will have to wait until the annual Town Meeting in March to be considered. The proposed budget does not include any new borrowing, which has been the norm for the last several years with the exception of the pier demolition borrowing in 2017, so that existing debt obligations will decline before the impact of the pier demolition debt begins to affect taxpayers in 2019. The cost of the pier project was initially estimated to be in the neighborhood of \$5 million. Now that the contract for demolition has been signed, the actual cost of \$3.2 million has eased concerns about how the pier project will impact future tax rates.

TOWN OF HARPSWELL, MAINE
Management's Discussion and Analysis, Continued

In 2018, there are no significant changes proposed to the operations of the Town other than having the municipal firefighter model fully implemented to supplement our current volunteer service providers. There is a substantial increase to the Town's risk management costs in 2018 as a result of both workplace injuries and the addition of a full year of municipal firefighters to the payroll. If the injury factor is reduced over the next couple of years, then risk management costs should decrease accordingly. While there is a coordinated planning effort underway to design a new centralized emergency services building for the municipal firefighters, their equipment and vehicles, the need for this new construction may not be urgent if the municipal firefighter model is effective in its delivery of service from current stations located within the Town.

Harpswell is part of a school district that has approved building a new high school. Early phases of the project have begun, but construction of the new building will get underway in 2018 with completion scheduled for some time in 2019. The effect of this project on Harpswell's tax rate is likely to be seen in the latter part of 2019.

The real estate market, particularly for waterfront property, continues to be very active. The Town has experienced a consistent trend of adding over \$10 million of taxable value annually to its tax rolls.

While the Town's tax rate may rise in 2018, it is expected to be manageable and not of significant magnitude.

CONTACTING THE TOWN'S FINANCIAL MANAGEMENT

This financial report is designated to provide our citizens, taxpayers, customers, and creditors with a general overview of the Town's finances and to show the Town's accountability for the money it receives. If you have questions about this report or need additional information, contact the Selectmen's Office at P. O. Box 39, 263 Mountain Road, Harpswell, Maine 04079-0039 or by phone at (207) 833-5771.

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BASIC FINANCIAL STATEMENTS

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TOWN OF HARPSWELL, MAINE
Statement of Net Position
December 31, 2017

	Governmental Activities
ASSETS	
Cash and cash equivalents	\$ 4,826,967
Receivables:	
Taxes	381,918
Liens	42,579
Accounts	103,123
Prepaid items	17,830
Receivable from Harpswell Coastal Academy	80,000
Capital assets:	
Capital assets, not being depreciated	2,796,921
Other capital assets, net of accumulated depreciation	8,758,030
Total assets	17,007,368
DEFERRED OUTFLOWS OF RESOURCES	
Deferred outflows related to pensions	67,499
Total deferred outflows of resources	67,499
LIABILITIES	
Accounts payable and other current liabilities	87,411
Unearned revenue	298,123
Bond Anticipation Note	475,000
Accrued interest	8,688
Noncurrent liabilities:	
Due within one year	421,000
Due in more than one year	1,423,222
Total liabilities	2,713,444
DEFERRED INFLOWS OF RESOURCES	
Deferred inflows related to pensions	27,797
Total deferred inflows of resources	27,797
NET POSITION	
Net investment in capital assets	9,492,201
Restricted for:	
Capital projects and grants	386,964
Unrestricted	4,454,461
Total net position	\$ 14,333,626

See accompanying notes to financial statements.

TOWN OF HARPSWELL, MAINE
Statement of Activities
For the year ended December 31, 2017

Functions/programs	Expenses	Program Revenues			Net (expense) revenue and changes in net position
		Charges for services	Operating grants and contributions	Capital grants and contributions	
					Governmental activities
Governmental activities:					
General government	\$ 1,476,645	-	-	-	(1,476,645)
Public works	1,079,794	181,035	35,580	-	(863,179)
Protection and safety	1,294,404	-	-	-	(1,294,404)
Health and welfare	30,856	-	7,772	-	(23,084)
Cultural and recreation	366,810	38,159	13,066	-	(315,585)
Education	7,744,079	-	-	-	(7,744,079)
County taxes	1,294,498	-	-	-	(1,294,498)
Overlay/abatements	1,468	-	-	-	(1,468)
Interest expense	47,996	-	-	-	(47,996)
Capital and special projects	261,120	-	50,726	-	(210,394)
Total governmental activities	13,597,670	219,194	107,144	-	(13,271,332)
General revenues:					
Property taxes, levied for general purposes					11,827,558
Excise taxes					1,296,930
Interest and fees on property taxes					16,813
Intergovernmental					175,257
Interest earned					11,174
Miscellaneous					412,835
Total general revenues					13,740,567
Change in net position					469,235
Net position - beginning					13,864,391
Net position - ending				\$	14,333,626

See accompanying notes to financial statements.

TOWN OF HARPSWELL, MAINE
Balance Sheet
Governmental Funds
December 31, 2017

	General	Road Projects	Mitchell Field Pier Demolition	Nonmajor Governmental Funds	Total Governmental Funds
ASSETS					
Cash and cash equivalents	\$ 4,826,967	-	-	-	4,826,967
Receivables:					
Taxes	381,918	-	-	-	381,918
Liens	42,579	-	-	-	42,579
Other	103,123	-	-	-	103,123
Interfund receivables	-	67,315	124,250	241,868	433,433
Prepaid items	17,830	-	-	-	17,830
Total assets	\$ 5,372,417	67,315	124,250	241,868	5,805,850
LIABILITIES					
Accounts payable and other liabilities	87,411	-	-	-	87,411
Unearned revenue - taxes paid in advance	284,898	-	-	-	284,898
Unearned revenue - other	13,225	-	-	-	13,225
Interfund payables	433,433	-	-	-	433,433
Total liabilities	818,967	-	-	-	818,967
DEFERRED INFLOWS OF RESOURCES					
Unavailable revenue - property taxes	200,000	-	-	-	200,000
Total deferred inflows of resources	200,000	-	-	-	200,000
FUND BALANCES					
Nonspendable:					
Prepaid Insurance	17,830	-	-	-	17,830
Restricted:					
Capital projects and grants	-	67,315	124,250	195,399	386,964
Assigned:					
General fund	946,934	-	-	-	946,934
Recreation	-	-	-	46,469	46,469
Unassigned	3,388,686	-	-	-	3,388,686
Total fund balances	4,353,450	67,315	124,250	241,868	4,786,883
Total liabilities, deferred inflows of resources, and fund balances	\$ 5,372,417	67,315	124,250	241,868	

Amounts reported for governmental activities in the Statement of Net Position (Statement 1) are different because:

Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.	11,554,951
Deferred outflows of resources related to pensions are not financial resources and, therefore, are not reported in the funds.	67,499
Amount receivable from sale of Harpswell Coastal Academy	80,000
Unavailable revenue - property taxes is not available to pay for current period expenditures and, therefore, is unavailable in the funds.	200,000
Long-term liabilities, including bonds payable, are not due and payable in the current period and therefore, are not reported in the funds.	
Bonds payable and capital lease obligation	(2,187,000)
Compensated absences payable	(20,212)
Accrued interest	(8,688)
Net pension liability	(112,010)
Deferred inflows of resources related to pensions are not financial resources and, therefore, are not reported in the funds.	(27,797)

Net position of governmental activities	\$ 14,333,626
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See accompanying notes to financial statements.

TOWN OF HARPSWELL, MAINE
Statement of Revenues, Expenditures and Changes in Fund Balances
Governmental Funds
For the year ended December 31, 2017

	General	Road Projects	Mitchell Field Pier Demolition	Other Governmental Funds	Total Governmental Funds
Revenues:					
Taxes	\$ 13,111,301	-	-	-	13,111,301
Intergovernmental	218,609	-	-	50,726	269,335
Miscellaneous	613,894	-	-	52,375	666,269
Total revenues	13,943,804	-	-	103,101	14,046,905
Expenditures:					
Current:					
General government	1,408,724	-	-	-	1,408,724
Public works	864,508	-	-	-	864,508
Protection and safety	1,175,971	-	-	-	1,175,971
Health and welfare	30,856	-	-	-	30,856
Cultural and recreation	292,767	-	-	61,675	354,442
Education	7,744,079	-	-	-	7,744,079
County taxes	1,294,498	-	-	-	1,294,498
Overlay/abatements	1,468	-	-	-	1,468
Debt service	469,517	-	-	-	469,517
Capital and special projects	207,174	68,221	350,750	471,789	1,097,934
Total expenditures	13,489,562	68,221	350,750	533,464	14,441,997
Excess (deficiency) of revenues over (under) expenditures	454,242	(68,221)	(350,750)	(430,363)	(395,092)
Other financing sources (uses):					
Proceeds from BAN	475,000	-	-	-	475,000
Transfers (to) from other funds	(588,850)	-	475,000	113,850	-
Total other financing sources (uses)	(113,850)	-	475,000	113,850	475,000
Net change in fund balances	340,392	(68,221)	124,250	(316,513)	79,908
Fund balances, beginning of year	4,013,058	135,536	-	558,381	4,706,975
Fund balances, end of year	\$ 4,353,450	67,315	124,250	241,868	4,786,883

See accompanying notes to financial statements

TOWN OF HARPSWELL, MAINE
Reconciliation of the Statement of Revenues, Expenditures,
and Changes in Fund Balances of Governmental Funds
to the Statement of Activities
For the year ended December 31, 2017

Net change in fund balances - total governmental funds (from Statement 4)	\$ 79,908
Amounts reported for governmental activities in the Statement of Activities (Statement 2) are different because:	
Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense:	
Capital outlays	848,552
Disposals of capital assets, net	(11,738)
Depreciation expense	(409,805)
Deferred outflows of resources are a consumption of net position by the government that are applicable to a future reporting period and, therefore, are not reported in the funds.	
	26,471
Governmental funds report as revenues payments received from installment sales. In the Statement of Activities a receivable is reported when the installment contract is entered into and is reduced by payments.	
	(10,000)
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds. This represents the increase in unavailable revenue - property taxes in the funds.	
	30,000
Proceeds from long-term borrowing or capital leases provide current financial resources to governmental funds, but issuing debt increases long-term liabilities in the statement of net position. Repayment of principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net position. This represents the proceeds (\$475,000) net of repayments (\$421,000).	
	(54,000)
Deferred inflows of resources are a consumption of net position by the government that are applicable to a future reporting period and, therefore, are not reported in the funds.	
	12,856
Long-term liabilities are not due and payable in the current period and therefore are not reported in the funds. More specifically, this represents the increase in the Town's net pension liability less the decrease in accrued absences.	
	(43,530)
Interest on long-term debt in the statement of activities differs from the amount reported in the governmental funds because interest is recognized as an expenditure in the fund financial statements since future repayment does not require the use of current financial resources. In the statement of activities, however, interest expense is recognized as the interest accrues, regardless of when it is due.	
	521
Change in net position of governmental activities (see Statement 2)	\$ 469,235

See accompanying notes to financial statements.

TOWN OF HARPSWELL, MAINE
Statement of Revenues, Expenditures and Changes in Fund Balance
Budget and Actual
General Fund
For the year ended December 31, 2017

	Budgeted amounts		Actual	Variance with final budget positive (negative)
	Original	Final		
Revenues:				
Taxes	\$ 13,031,672	13,031,672	13,111,301	79,629
Intergovernmental	206,063	206,063	218,609	12,546
Miscellaneous	534,900	534,900	613,894	78,994
Total revenues	13,772,635	13,772,635	13,943,804	171,169
Expenditures:				
Current:				
General government	1,492,538	1,492,538	1,408,724	83,814
Public works	872,733	872,733	864,508	8,225
Protection and safety	1,279,318	1,279,318	1,175,971	103,347
Health and welfare	34,430	34,433	30,856	3,577
Cultural and recreation	294,304	294,304	292,767	1,537
Education	7,744,079	7,744,079	7,744,079	-
County taxes	1,294,498	1,294,498	1,294,498	-
Overlay/abatements	137,871	137,871	1,468	136,403
Debt service	470,000	470,000	469,517	483
Capital and special projects	549,014	1,105,382	207,174	898,208
Total expenditures	14,168,785	14,725,156	13,489,562	1,235,594
Excess (deficiency) of revenues over (under) expenditures	(396,150)	(952,521)	454,242	1,406,763
Other financing sources (uses):				
Proceeds from BAN	475,000	475,000	475,000	-
Transfer to / from other funds	(588,850)	(588,850)	(588,850)	-
Budgeted use of unassigned fund balance	520,000	520,000	-	(520,000)
Budgeted use of carryforward balances	-	562,599	-	(562,599)
Budgeted use of contingency	(10,000)	(16,228)	-	16,228
Total other financing sources (uses)	396,150	952,521	(113,850)	(1,066,371)
Net change in fund balance	-	-	340,392	340,392
Fund balance, beginning of year			4,013,058	
Fund balance, end of year			\$ 4,353,450	

See accompanying notes to financial statements.

TOWN OF HARPSWELL, MAINE
Required Supplementary Information
MainePERS - Consolidated Plan - Defined Benefit Pension Plan
Schedule of Proportionate Share
of the Net Pension Liability

LAST 10 FISCAL YEARS*

	2017	2016	2015
<u>PLD Plan:</u>			
Proportion of the net pension liability (asset)	0.02%	0.02%	0.02%
Proportionate share of the net pension liability (asset)	\$ 112,010	\$ 66,579	\$ 30,730
Covered-employee payroll	\$ 115,099	\$ 111,225	\$ 109,359
Proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	97.32%	59.86%	28.10%
Plan fiduciary net position as a percentage of the total pension liability	88.27%	88.27%	94.10%

* The amounts presented for each fiscal year were determined as of June 30, and are for those years for which information is available.

See accompanying notes to financial statements.

Schedule of Contributions

LAST 10 FISCAL YEARS*

	2017	2016	2015
<u>PLD Plan:</u>			
Contractually required contribution	\$ 10,993	\$ 10,443	\$ 9,279
Contributions in relation to the contractually required contribution	<u>(10,993)</u>	<u>(10,443)</u>	<u>(9,279)</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Covered-employee payroll	\$ 115,099	\$ 113,434	\$ 111,126
Contributions as a percentage of covered-employee payroll	9.55%	9.21%	8.35%

* The amounts presented for each fiscal year were determined as of December 31.

See accompanying notes to financial statements.

TOWN OF HARPSWELL, MAINE
Notes to Required Supplementary Information
For the Year Ended December 31, 2017

MainePERS – Consolidated Plan – Defined Benefit Pension Plan

Changes of benefit terms

There were no changes in benefit terms in the Maine Public Employees Retirement System Plans.

Changes of assumptions

The actuarial assumptions used for the year ended June 30, 2016 valuation were based on the results of an actuarial experience study for the period of June 30, 2012 through June 30, 2015.

Significant actuarial assumptions employed by the actuary for funding purposes as of June 30, 2016 are as follows:

	June 30, 2016 Actuarial Assumptions	June 30, 2015 Actuarial Assumptions
Investment Rate of Return	6.875% per annum, compounded annually	7.125% per annum, compounded annually
Inflation Rate	2.75%	3.50%
Annual salary increases, including inflation - PLD Consolidation Plan	2.75% - 9.00%	3.50% - 9.50%
Cost of living benefit increases	2.20%	2.55%
Long-term expected real reate of return on assets:		
US equities	5.7%	5.2%
Real estate	5.2%	3.7%
Infrastructure	5.3%	4.0%
Hard assets	5.0%	4.8%
Fixed income	2.9%	0.7 %
Mortality Rates	For active members and non-disabled retirees of the PLD Consolidated Plan, the RP2014 Total Dataset Healthy Annuitant Mortality Table, for males and females, is used. For all recipients of disability benefits, the RP2014 Total Dataset Disabled Annuitant Mortality Table, for males and females, is used.	For active members and non-disabled retirees of the PLD Consolidated Plan, the RP2000 Tables projected forward to 2015 using Scale AA are used; the ages are set back two years for employees of the teacher plan. Mortality assumptions were also reviewed and updated in 2011 for the PLD Consolidated Plan, and in 2012 for the other Plans, based on actual demographic data of the Plans. For all recipients of disability benefits, the Revenue Ruling 96-7 Disabled Mortality Table for Males and Females is used.

TOWN OF HARPSWELL, MAINE
Required Supplementary Information
I.A.M. a multiemployer, cost-sharing defined benefit pension plan
Schedule of Employer's Required Contributions

For the years ended December 31:

2017	\$	12,103
2016		11,427
2015		11,529
2014		11,198
2013		11,696
2012		13,909
2011		15,437
2010		15,475
2009		15,662
2008	\$	15,618

The reduction in required contributions between 2011 and 2013 resulted from the elimination in mid 2012 of one position which would have been eligible to participate in the Plan.

See accompanying notes to financial statements.

TOWN OF HARPSWELL, MAINE
Notes to Financial Statements

THE REPORTING ENTITY

The Town of Harpswell, Maine, incorporated on January 25, 1758, currently operates under a Town Meeting-Selectmen form of government with a Town Administrator as the chief administrator of the Town. The Board consists of three members elected by the registered voters for three year terms.

In evaluating the Town as a reporting entity, management has addressed all potential component units for which the Town may or may not be financially accountable and, as such, be includable within the Town's basic financial statements. The Town (the primary government) is financially accountable if it appoints a voting majority of the organization's governing board and (1) it is able to impose its will on the organization or (2) there is a potential for the organization to provide specific financial benefit to or impose specific financial burden on the Town. Additionally, the primary government is required to consider other organizations for which the nature and significance of their relationship with the primary government are such that exclusion would cause the reporting entity's basic financial statements to be misleading or incomplete. Based on the application of these criteria, there are no other entities within the Town that should be included as part of these basic financial statements.

The Governmental Accounting Standards Board (GASB) is responsible for establishing generally accepted accounting principles (GAAP) for state and local governments through its pronouncements (Statements and Interpretations). The more significant accounting policies established in GAAP and used by the Town are discussed below.

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Government-wide and Fund Financial Statements

The government-wide financial statements (i.e., the statement of net position and the statement of activities) report information on all of the nonfiduciary activities of the Town. For the most part, the effect of interfund activity has been removed from these statements. *Governmental activities* are supported by taxes and intergovernmental revenues.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. The Town has elected not to allocate indirect costs among the programs, functions and segments. Program revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported as general revenues.

Separate financial statements are provided for governmental funds and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds and major individual proprietary funds (if any) are reported as separate columns in the fund financial statements.

TOWN OF HARPSWELL, MAINE
Notes to Financial Statements, Continued

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, CONTINUED

B. Measurement Focus, Basis of Accounting and Financial Statement Presentation

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting, however, debt service expenditures, as well as certain compensated absences and claims and judgments, are recorded only when payment is due.

Those revenues susceptible to accrual are property taxes, franchise fee, interest, and charges for services. Other receipts and taxes become measurable and available when cash is received by the Town and are recognized as revenue at that time.

Entitlements and shared revenues are recorded at the time of receipt or earlier if the susceptible to accrual criteria are met. Expenditure-driven grants are recognized as revenue when the qualifying expenditures have been incurred and all other grant requirements have been met.

The Town reports the following major governmental funds:

The general fund is the Town's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.

The road projects fund accounts for financial resources used in major road rehabilitation projects.

The Mitchell Field pier demolition fund accounts for financial resources used to demolish the pier.

Additionally, the Town reports several nonmajor funds in the following fund categories:

Special revenue funds account for the proceeds of specific sources (other than major capital projects or expendable trusts) that are legally restricted to expenditures for specified purposes.

Capital projects funds account for financial resources to be used for the acquisition or construction of major capital facilities and equipment (other than those financed by proprietary or trust funds).

C. Budgetary Accounting

Each year a budget is adopted for the General Fund only, and is adopted on a basis consistent with accounting principles generally accepted in the United States of America (GAAP). The level of control (level at which expenditures may not exceed budget) is the Town meeting warrant article level.

The Town Meeting adopts the annual budget in March of that budget year and, accordingly, the previous year's Town Meeting authorizes the Board of Selectmen to spend 25% of the previous year's budget in the first three months of the current year.

TOWN OF HARPSWELL, MAINE
Notes to Financial Statements, Continued

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, CONTINUED

Generally, all unexpended budgetary accounts lapse at the close of the fiscal year. However, portions of the General Fund fund equity can be assigned for future periods by the Selectmen. A comparison of budget to actual is presented in the financial statements on Statement 6. The difference between original budget and final budget amounts represent approved carryovers from prior years or appropriations from fund balance.

D. Cash and Cash Equivalents

The Town's cash and cash equivalents are considered to be cash on hand, demand deposits and short-term investments with original maturities of three months or less from the date of acquisition. Town policy is that deposits can only be made in financial institutions insured by the F.D.I.C. or collateralized by the depository institution in the Town's name. The Town invests its funds in an effort to ensure preservation of capital, remain sufficiently liquid and attain a reasonable market rate of return, while remaining within the guidelines approved by the Board of Selectmen.

E. Inventories of Supplies

Inventories of supplies are considered to be expenditures at the time of purchase rather than when consumed, and are not included in the general fund balance sheet.

F. Short-term Interfund Receivables/Payables

During the course of normal operations, transactions occur between individual funds for goods provided or services rendered. These receivables and payables are classified as "interfund receivables or payables" on the balance sheet.

During the course of normal operations, the Town has transactions between funds including expenditures and transfers of resources to provide resources, construct assets and service debt. These transactions, if any, are reported as transfers.

G. Capital Assets

Capital assets, which include property, plant, equipment, and infrastructure are reported in the applicable governmental activities columns in the government-wide financial statements. Capital assets are defined by the Town as assets with an initial, individual cost of more than \$5,000 and an estimated useful life in excess of one year. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair value at the date of donation. The costs of normal repairs and maintenance that do not add to the value of the asset or materially extend assets lives are not capitalized. Major outlays for capital assets and improvements are capitalized as projects are constructed.

Straight-line depreciation is used based on the following estimated useful lives:

Buildings and building improvements	25 to 50 years
Infrastructure	20 to 50 years
Equipment, vehicles and furniture	5 to 30 years

Capital assets, not being depreciated, includes land, construction in progress, easements and artwork associated with the former West Harpswell School property, which are not being depreciated as they are not exhaustible assets.

TOWN OF HARPSWELL, MAINE
Notes to Financial Statements, Continued

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, CONTINUED

H. Deferred Outflows/Inflows of Resources

In addition to assets, the governmental funds balance sheet sometimes reports a separate section for deferred outflows of resources. This separate financial statement element, *deferred outflows of resources*, represents a consumption of net position that applies to a future period(s) and so will *not* be recognized as an outflow of resources (expense/ expenditure) until then. In addition to liabilities, the governmental funds balance sheet will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, *deferred inflows of resources*, represents an acquisition of net position that applies to a future period(s) and so will *not* be recognized as an inflow of resources (revenue) until that time. The Town has only one type of item, which arises only under the modified accrual basis of accounting, that qualifies for reporting in this category. Accordingly, the item, *unavailable revenue*, is reported only in the governmental funds balance sheet. The governmental funds report unavailable revenues from property taxes. This amount is deferred and recognized as an inflow of resources in the period that the amounts become available.

I. Long-term Obligations

In the government-wide financial statements long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities. The face amount of debt is reported as other financing sources.

J. Fund Equity

In the fund financial statements, governmental fund balance is presented in five possible categories:

Nonspendable – resources which cannot be spent because they are either a) not in spendable form or; b) legally or contractually required to be maintained intact.

Restricted – resources with constraints placed on the use of resources which are either a) externally imposed by creditors (such as through debt covenants), grantors, contributors or laws or regulations of other governments; or b) imposed by law through constitutional provisions or enabling legislation.

Committed – resources which are subject to limitations the government imposes on itself at its highest level of decision making authority, and that remain binding unless removed in the same manner.

Assigned – resources that are constrained by the government's intent to be used for specific purposes, but are neither restricted nor committed.

Unassigned – resources which have not been assigned to other funds and that have not been restricted, committed, or assigned to specific purposes within the General Fund. The General Fund should be the only fund that reports a positive unassigned fund balance amount.

Committed fund balance amounts are determined by the legislative body which also would be required to modify or rescind those commitments. For assigned fund balance, management determines amounts to be carried forward for uncompleted projects previously authorized by the legislative body for specific purposes in the General Fund at year end. The Board of Selectmen votes to authorize assigned amounts.

Although not a formal policy, when both restricted and unrestricted resources are available for use, it is the Town's intent to use restricted resources first, then unrestricted resources as they are needed. When committed, assigned and unassigned resources are available for use, it is the Town's intent to use committed or assigned resources first, and then unassigned resources as they are needed.

TOWN OF HARPSWELL, MAINE
Notes to Financial Statements, Continued

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, CONTINUED

K. Fund Balance Policy

It is the Town's policy to maintain a minimum unassigned General Fund balance of one month, 8.33%, of operating expenditures, defined as total prior year's general fund expenditures less any expenditure made from reserve funds. The targeted balance for fiscal year-end is 2 months or 16.66%, and the maximum balance is not to exceed 25% of the operating expenditures, so long as cash flow needs are met. Any amount in excess of the targeted balance may be used to reduce the tax commitment or be appropriated as assigned or committed fund balance, or it may remain as unassigned Fund Balance. The Town's Board of Selectmen may recommend transfers to the Town that would reduce the balance below 25%, but no transfers shall be made that would reduce the balance to less than 8.33%. In the event that the unassigned fund balance drops below the minimum level, the Town will develop a plan, implemented through the annual budgetary process, to bring the balance to the targeted level over a period of no more than three (3) years.

L. Comparative Data / Restatements

Comparative total data for the prior period have been presented in the accompanying financial statements in order to provide an understanding of changes in the Town's financial position and operations. However, comparative data have not been presented in all statements because their inclusion would make certain statements unduly complex and difficult to understand.

M. Compensated Absences

Under terms of personnel policies of the Town, vacation leave is granted in varying amounts according to length of service. No sick leave is granted at the time of employee termination. Unused vacation leave is reported in the government-wide financial statements. No expenditure is reported for this amount on the fund financial statements unless due and payable.

N. Pensions

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the Participating Local District (PLD) Consolidated Plan and additions to/deductions from the PLD Consolidated Plan's fiduciary net position have been determined on the same basis as they are reported by the PLD Consolidated Plan. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

O. Deferred Outflows and Inflows of Resources – Statement 1

In addition to assets, the statement of financial position will at times report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until then. The Town currently has one type of item, deferred outflows related to pensions. This item is reported in the statement of net position.

In addition to liabilities, the statement of financial position will at times report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applied to a future period(s) and so will not be recognized as

TOWN OF HARPSWELL, MAINE
Notes to Financial Statements, Continued

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, CONTINUED

an inflow of resources (revenue) until that time. Deferred inflows related to pensions qualify for reporting in this category. This item is reported only in the statement of net position. All items in this category are deferred and recognized as inflows of resources in the period that the amounts become available.

P. Use of Estimates

Preparation of the Town's financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent items at the date of the financial statements and the reported amounts of revenues and expenses/expenditures during the reporting period. Actual results could differ from those estimates.

CASH AND CASH EQUIVALENTS

Deposits

Custodial Credit Risk-Town Deposits: Custodial credit risk is the risk that in the event of a bank failure, the Town's deposits may not be returned to it. The Town does not have a formal policy with respect to custodial credit risk. As of December 31, 2017, the Town reported deposits of \$4,826,967 with a bank balance of \$4,636,363. All of the Town's bank balances were collateralized by FDIC insurance and therefore, none were exposed to custodial credit risk.

PROPERTY TAX

The Town's property taxes for the current year were committed on August 3, 2017, on the assessed value listed as of April 1, 2017 for all real and personal property located in the Town. Taxes were due on September 15, 2017 and December 15, 2017; interest was charged at 6% on all unpaid taxes after those dates. Assessed values are periodically established by the Assessor at 100% of assumed market value. The Town has a certified ratio of 100%.

The following summarizes the 2017 and 2016 levy:

	<u>2017</u>	<u>2016</u>
Assessed value:		
Real property	\$1,822,927,100	1,811,106,100
Personal property	5,427,700	5,304,000
Total valuation	1,828,354,800	1,816,410,100
<u>Tax rate (per \$1,000)</u>	6.46	6.40
Tax commitment	11,811,172	11,625,025
Less: collections and abatements (net of supplements)	(11,429,254)	(11,360,772)
<u>Taxes receivable at December 31</u>	<u>\$381,918</u>	<u>264,523</u>
Due dates	½ September 15, 2017 ½ December 15, 2017	½ September 15, 2016 ½ December 15, 2016
Interest rate on delinquent taxes	6.00%	6.00%
Collection rate	96.77%	97.73%

TOWN OF HARPSWELL, MAINE
Notes to Financial Statements, Continued

PROPERTY TAX, CONTINUED

The Town is permitted by the laws of the State of Maine to levy taxes up to 105% of its net budgeted expenditures for the related fiscal period. The amount raised in excess of 100% is referred to as overlay, and amounted to \$137,871 for the year ended December 31, 2017. Property taxes levied during the year are recorded as receivables at the time the levy is made. The receivables collected during the year and in the first sixty days following the end of the fiscal year are recorded as revenues. The remaining receivables are recorded as unavailable revenues. Tax payments received in advance of a levy are reported as unearned revenue.

Tax liens are placed on real property within twelve months following the tax commitment date if taxes are delinquent. The Town has the authority to foreclose on property eighteen months after the filing of the lien if tax liens and associated costs remain unpaid.

Property acquired by foreclosure for nonpayment of taxes is recorded at the amount of expired tax liens plus the costs involved in foreclosure. Liens and any current taxes on the same period are not included as part of the tax acquired property account until expiration of statutory time limits or time limit extensions granted by the Town's Board of Selectmen.

RECEIVABLE FROM HARPSWELL COASTAL ACADEMY

In 2015, the Town completed the sale of land and building to Harpswell Coastal Academy (HCA). The total consideration was \$150,000 with \$10,000 paid at closing. An additional \$40,000 was credited from lease payments. Harpswell Coastal Academy will pay the remainder to the Town in ten equal installments of \$10,000. The town received \$10,000 during 2017 which reduced its receivable from HCA.

CAPITAL ASSETS

Capital asset activity for the year ended December 31, 2017 was as follows:

	<u>2016</u>	<u>Increase</u>	<u>Decrease</u>	<u>2017</u>
Governmental activities:				
Capital assets, not being depreciated:				
Land	\$ 2,164,271	-	-	2,164,271
Construction in progress	4,489	357,918	11,657	350,750
Other non-depreciable assets	281,900	-	-	281,900
Total capital assets not being depreciated	2,450,660	357,918	11,657	2,796,921
Capital assets, being depreciated:				
Buildings and improvements	4,237,097	-	-	4,237,097
Equipment, vehicles and furniture	2,419,988	437,351	19,650	2,837,689
Infrastructure	7,939,176	64,940	39,128	7,964,988
Total capital assets being depreciated	14,596,261	502,291	58,778	15,039,774
Less accumulated depreciation for:				
Buildings and improvements	2,368,711	83,498	-	2,452,209
Equipment, vehicles and furniture	1,002,319	165,441	19,650	1,148,110
Infrastructure	2,547,949	160,866	27,390	2,681,425
Total accumulated depreciation	5,918,979	409,805	47,040	6,281,744
Total capital assets being depreciated, net	8,677,282	92,486	11,738	8,758,030
Governmental activities capital assets, net	\$11,127,942	450,404	23,395	11,554,951

TOWN OF HARPSWELL, MAINE
Notes to Financial Statements, Continued

CAPITAL ASSETS, CONTINUED

The 2017 Town Meeting authorized the demolition of an industrial pier located at Mitchell Field, the former site of a U.S. Navy fuel depot. The authorization approved funding for this project in an amount not to exceed \$5 million.

On November 30, 2017, the Town entered into a contract in the amount of \$3,032,515 for the pier's demolition. Two additional contracts for engineering and project management totaling \$165,000 have also been signed. The cost of the project is expected to approximate \$3.5 million of which \$350,750 was incurred as of December 31, 2017. These incurred costs are included in construction in progress in the Statement of Net Position. The demolition of the pier, when completed, will be classified as a land improvement to the Mitchell Field property, a 119 acre deep-water site, and will not be depreciated.

Fire and rescue vehicles with a cost of \$2,008,608 and accumulated depreciation of \$608,661 have been leased under 10 or 20 year agreements to one of the three independent fire and rescue departments serving the Town. The cost of insuring and maintaining the vehicles is borne by the departments.

Depreciation expense was charged to functions/programs of the primary government as follows:

Governmental activities:

General government	\$ 63,718
Public works	215,286
Protection and safety	118,433
Cultural and recreation	12,368

Total depreciation expense – governmental activities	\$ 409,805
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INTERFUND RECEIVABLES AND PAYABLES

Individual interfund receivables and payables balances at December 31, 2017 were as follows:

<u>Fund</u>	<u>Interfund receivables</u>	<u>Interfund payables</u>
General Fund	\$ -	433,433
Special Revenue Funds:		
Restricted grants	381	-
Recreation	46,469	-
Capital Projects Fund:		
Emergency vehicles	195,018	-
Road projects	67,315	-
Mitchell Field Pier	124,250	-
Totals	\$433,433	433,433

TOWN OF HARPSWELL, MAINE
Notes to Financial Statements, Continued

SHORT-TERM DEBT

Tax Anticipation Note

Under the authority of Title 30-A, Section 5771 of the Maine Revised Statutes, as amended, a resolution was adopted by the Board of Selectmen at their April 27, 2017 meeting authorizing the Treasurer to borrow up to \$3,200,000 to be due on or before December 31, 2017. From May 8, 2017 to July 7, 2017, the Town made periodic draws on this note such that the maximum amount outstanding was \$2.55 million. The outstanding principal and interest was paid before December 31, 2017. The total interest paid on this note was \$11,367. Since there is no beginning or ending balance at December 31, 2016 and 2017, it has not been included in the debt note which follows.

Bond Anticipation Note

As further discussed in Capital Assets, the 2017 Town Meeting authorized the issuance of up to \$5 million in general obligation bonds or notes for demolition of the Mitchell Field pier constructed by the U.S. Navy and transferred to the Town in 2001. During 2017, the Town entered into contracts relating to the pier's demolition and on December 12, 2017 issued a General Obligation Bond Anticipation Note ("BAN") to be drawn on an as needed basis with the total principal amount not to exceed \$3.5 million to fund the project. The principal amount drawn on the BAN shall be payable on May 30, 2018 with interest accrued at a rate of 1.25%. The Town anticipates replacing the BAN with the proceeds of a General Obligation Bonds issued by the Town during the first half of 2018. As of December 31, 2017, the amount outstanding under the BAN is \$475,000.

LONG-TERM LIABILITIES

Long-term liability activity for the year ended December 31, 2017, was as follows:

	<u>Beginning balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending balance</u>	<u>Due within one year</u>
Governmental activities:					
Bonds payable	\$ 2,115,000	-	415,000	1,700,000	415,000
Capital lease obligation	18,000	-	6,000	12,000	6,000
Compensated absences payable	22,113	44,070	45,971	20,212	-
Proportionate share of the net pension liability	66,579	45,431	-	112,010	-
Governmental activity long-term liabilities	\$ 2,221,692	89,501	466,971	1,844,222	421,000

Bonds payable at December 31, 2017 are comprised of the following:

	<u>Issue date</u>	<u>Maturity date</u>	<u>Amount issued</u>	<u>Interest rate</u>	<u>Balance December 31, 2017</u>
Governmental activities:					
2008 Emergency vehicles	10/30/08	11/01/18	500,000	2.075-5.575%	50,000
2009 Ash Point road rehab	05/28/09	11/01/19	650,000	2.08-5.58%	130,000
2010 Emergency vehicles	10/28/10	11/01/20	600,000	2.00-5.50%	180,000
2011 Capital road project	05/26/11	11/01/21	800,000	2.12-5.62%	320,000
2013 Capital road project	05/23/13	11/01/23	1,000,000	.60-2.38%	600,000
2014 Capital road project	8/20/14	8/20/24	600,000	2.30%	420,000
Total bonds payable					\$1,700,000

TOWN OF HARPSWELL, MAINE
Notes to Financial Statements, Continued

LONG-TERM LIABILITIES, CONTINUED

During 2013, the Town entered into a capital lease to fund, in part, the purchase of certain media equipment. As of December 31, 2017, the balance of \$12,000 represents the principal obligation under the capital lease and will be repaid in two equal installments of \$6,000. Interest accrues at a rate per annum of 3.02% and is payable annually. The principal payments will be funded by annual grants to the Town by the holder of its cable franchise.

The annual requirements to amortize outstanding debt, including capital lease obligations, as of December 31, 2017 are as follows:

<u>December 31,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2018	415,000	35,689	450,689
2019	365,000	28,104	393,104
2020	300,000	20,257	320,257
2021	240,000	13,903	253,903
2022	160,000	8,780	168,780
2023-2024	220,000	6,540	226,540
Total	\$1,700,000	113,273	1,813,273

All governmental activities long-term debt requirements are paid by the general fund.

Debt authorized but unissued – The Town is authorized to borrow up to \$50,000 for failed septic system remediation.

STATUTORY DEBT LIMIT

The laws of the State of Maine limit types of municipal borrowing to specific percentages of the State valuation of the municipality. At December 31, 2017, the Town was in compliance with these restrictions.

OVERLAPPING DEBT

The Town's proportionate share of debt of all local government units which provide services within the Town's boundaries, and which must be borne by properties in the Town is summarized as follows:

<u>Units</u>	<u>Net debt outstanding at December 31, 2017</u>	<u>Percentage applicable to the Town</u>	<u>Town's proportionate share of debt</u>
Cumberland County	\$36,040,000	4.42%	1,593,198
MSAD 75 / RSU 75	9,612,367	37.56%	3,610,404

The Town's proportionate share of the County and District debt is paid through annual assessments.

BUDGETED USE OF SURPLUS

During the year ended December 31, 2017, the Town budgeted to utilize prior year unassigned fund balance as a budgeted use of surplus. The amount consists of the following:

2017 carry forward balance	\$ 562,599
Use of surplus – current year:	
Flood map revisions	50,000
Reduction of tax commitment	470,000
Total	\$1,082,599

TOWN OF HARPSWELL, MAINE
Notes to Financial Statements, Continued

INTERFUND TRANSFERS

Individual fund transfers for the year ended December 31, 2017 were as follows:

	<u>Transfers in</u>	<u>Transfers out</u>
General fund	\$ -	588,850
Special revenue funds:		
Recreation	13,850	-
Capital project funds:		
Mitchell Field pier demolition	475,000	
Road projects	-	-
Emergency vehicles	100,000	-
Total capital projects fund	575,000	-
Total transfers	\$588,850	588,850

These transfers were budgeted transfers to fund certain activities.

RESTRICTED GRANTS

The Town classifies grant awards as restricted grants in the Town's special revenue fund. The December 31, 2017 fund balance of restricted grants consisted of the following awards:

<u>Grant Award</u>	<u>Balance beginning of year</u>	<u>Revenues</u>	<u>Expenditures</u>	<u>Balance end of year</u>
Orr's/Bailey's Fire Dept - CDBG	-	14,655	14,655	-
Harpswell Aging at Home - CDBG	-	13,883	13,883	-
Davis Conservation Fund	8,050	-	8,050	-
Pott's Point – MDOT	-	6,150	6,150	-
Mitchell Field Community Garden	-	5,381	5,000	381
Mitchell Field Waterfront Planning	-	4,125	4,125	-
MMA Safety	-	3,178	3,178	-
Sea Level Rise - Coastal Communities	-	2,859	2,859	-
Pump out float	-	495	495	-
Total restricted grants	\$8,050	50,726	58,395	381

ASSIGNED FUND BALANCES

At December 31, 2017, assigned fund balance consisted of the following:

<u>Fund</u>	<u>Assigned balance</u>
Appropriation carryovers:	
Special Purpose Funds:	
Town Landings – Mackerel Cove	\$ 10,000
Planning services – Comprehensive Plan	6,000
Fire administration – firefighter equipment	48,000
Mitchell Field Master Plan planning	5,000
Energy Conservation	1,431
Flood plain map revisions	74,566

TOWN OF HARPSWELL, MAINE
Notes to Financial Statements, Continued

ASSIGNED FUND BALANCES, CONTINUED

Land purchase, map 42, lot 6	3,318
Mitchell Field water tower	7,983
Orr's/Bailey's Islands Fire Department renovations	30,914
Capital Reserves:	
Town facilities	20,914
Office equipment	2,500
Boat/motor replacement	38,243
Recycling	99,140
Vehicles & equipment replacement	41,690
Emergency communication equipment	24,021
Dry hydrant development	12,780
Land acquisition and property improvement	80,112
Emergency services building planning	95,498
Mitchell Field capital	213,658
Failed septic system	22,649
Other Reserves:	
Property tax assistance program	4,709
Conservation fund	5,000
Self-insurance	1,538
Heating assistance	36,630
Assessing records update	20,235
Plus contingency	<u>16,228</u>
Assigned fund balances subtotal	922,757
Assigned revenues:	
Heating assistance	17,934
Cable related technology	4,443
Mitchell Field boat ramp or bandstand	<u>1,800</u>
Total assigned fund balance – General Fund	<u>\$946,934</u>

NET POSITION

Net Position - Net position represents the difference between assets and liabilities. Net investment in capital assets consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of bond and capital leases obligations, as well as bond anticipation note balance net of any unspent proceeds. The Town's net investment in capital assets was calculated as follows at December 31, 2017:

Capital assets	\$ 17,836,694
Accumulated depreciation	(6,281,743)
Bonds payable and capital lease obligation	(1,712,000)
Bond anticipation note, net of unspent bond proceeds	<u>(350,750)</u>
Total net investment in capital assets	<u>\$ 9,492,201</u>

Net position is reported as restricted when there are limitations imposed on its use either through the enabling legislations adopted by the Town or through external restrictions imposed by creditors, grantors or laws or regulations of other governments.

TOWN OF HARPSWELL, MAINE
Notes to Financial Statements, Continued

RISK MANAGEMENT

The Town is exposed to various risks of loss from torts, theft of, damage to and destruction of assets, errors and omissions, and natural disasters for which the Town either carries commercial insurance or participates in a public entity risk pool. Currently, the Town participates in a public entity risk pool sponsored by the Maine Municipal Association for Workers' Compensation coverage. Based on these coverages, no known liabilities exist at December 31, 2017.

CONTINGENT LIABILITIES

Litigation -The Town is subject to certain legal proceedings which arise in the normal course of business. In the opinion of management, the Town has defensible positions in any/all pending cases. Further, any future liabilities are covered by insurance or will not materially affect the financial position of the Town.

State and Federal Grants – The Town participates in numerous state and federal programs which are governed by various rules and regulations imposed by the grantor agencies. Costs charged to the respective grant programs are subject to audit and adjustments by the grantor agencies; therefore, to the extent that the Town has not complied with the rules and regulations governing the grants, refunds of any moneys received may be required. There are no material contingent liabilities relating to compliance with rules and regulations governing the respective grants; therefore, no provision has been recorded in the accompanying basic financial statements for such contingencies.

DEFERRED COMPENSATION PLAN

The Town offers its employees a deferred compensation plan created in accordance with Internal Revenue Code Section 457 through the International City Management Association Retirement Corporation.

The deferred compensation plan is available to all full and regular part time employees of the Town who work 20 hours or more per week on a regularly scheduled basis and who are not already participating in another plan. Under the plan, employees may elect to defer a portion of their salary and avoid paying income taxes on the deferred portion until the withdrawal date. The deferred compensation amount is not available for withdrawal by employees until termination, retirement, death or unforeseeable emergency. The Town's computed contribution to this plan for the years ended December 31, 2017, 2016 and 2015 was \$25,624, 26,135, and \$23,248, respectively. Assets of the plan are placed in trust for the exclusive benefit of participants and their beneficiaries. Accordingly, the assets and the liability for the compensation deferred by plan participants, including earnings on plan assets, are not included in the Town's financial statements.

MAINE PUBLIC EMPLOYEES RETIREMENT SYSTEM (Maine PERS) - CONSOLIDATED RETIREMENT PENSION PLAN

Plan Description

Certain Town employees contribute to the Maine Public Employees Retirement System (MainePERS), a cost-sharing multiple-employer defined benefit pension plan established by the Maine State Legislature. Title 5 of the Maine Revised Statutes Annotated assigns the authority to establish and amend benefit provisions to the Participating Local District (PLD) Consolidated Plan's advisory group, which reviews the terms of the plan and periodically makes recommendations to the Legislature to amend the terms. The Maine Public Employees Retirement System issues a publicly available financial report that includes financial statements and required supplementary information for the Consolidated Plan. That report may be obtained online at www.mainebers.org or by contacting the System at (800) 451-9800.

TOWN OF HARPSWELL, MAINE
Notes to Financial Statements, Continued

MAINE PUBLIC EMPLOYEES RETIREMENT SYSTEM (Maine PERS) - CONSOLIDATED RETIREMENT PENSION PLAN (CONTINUED)

Benefits Provided

The Maine Public Employees Retirement System provides retirement and disability benefits, annual cost-of-living adjustments and death benefits to plan members and beneficiaries. The System's retirement programs provide defined retirement benefits based on members' average final compensation and service credit earned as of retirement. Vesting (i.e., eligibility for benefits upon reaching qualification) occurs upon the earning of five years of service credit (effective October 1, 1999, the prior ten year requirement was reduced by legislative action to five years for employees of PLDs). In some cases, vesting occurs on the earning of one year of service credit immediately preceding retirement at or after normal retirement age. For PLD members, normal retirement age is 60 or 65. The monthly benefit of members who retire before normal retirement age by virtue of having at least 25 years of service credit is reduced by a statutorily prescribed factor for each year of age that a member is below her/his normal retirement age at retirement. The System also provides disability and death benefits which are established by contract with PLD employers under applicable statutory provisions.

Upon termination of membership, members' accumulated employee contributions are refundable with interest, credited in accordance with statute. Withdrawal of accumulated contributions results in forfeiture of all benefits and membership rights. The annual rate of interest credited to members' accounts is set by the System's Board of Trustees and is currently 5.0%.

Contributions

Retirement benefits are funded by contributions from members and employers and by earnings on investments. Disability and death benefits are funded by employer normal cost contributions and by investment earnings. The Town's plan members are part of the PLD's plan "AC" and are required to contribute 8.0% of their annual covered salary and the Town is required to contribute at an actuarially determined rate. The current rate is 9.5% of covered payroll. The contribution rates of plan members and the Town are established and may be amended by the Maine Public Employee Retirement Systems advisory group. The Town's contribution to the MainePERS PLD Consolidated Plan for the year ended December 31, 2017 was \$10,993.

Effective March 14, 1998, this pension plan is no longer offered to new Town employees. Those employees already in the plan may continue under the same terms or may terminate and join the Town's deferred compensation plan.

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

At December 31, 2017, the Town reported a liability of \$112,010 for its proportionate share of the net pension liabilities for the plan. The net pension liabilities were measured as of June 30, 2016 (the most recent period available), and the total pension liabilities used to calculate the net pension liabilities was determined by an actuarial valuation as of that date. The Town's proportion of the net pension liabilities were based on a projection of the Town's long-term share of contributions to each pension plan relative to the projected contributions of all PLDs, actuarially determined. At June 30, 2016, the Town's proportion was 0.021081%, which was an increase of 0.000212% from its proportion measured as of June 30, 2015.

For the year ended December 31, 2017, the Town recognized net pension expense of \$6,104. At December 31, 2017, the Town reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

TOWN OF HARPSWELL, MAINE
Notes to Financial Statements, Continued

MAINE PUBLIC EMPLOYEES RETIREMENT SYSTEM (Maine PERS) - CONSOLIDATED RETIREMENT PENSION PLAN (CONTINUED)

	PLD Plan	
	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual experience	\$ 1,358	\$ 7,205
Changes of assumptions	12,008	-
Net difference between projected and actual earnings on pension plan investments	41,391	17,227
Changes in proportion and differences between contributions and proportionate share of contributions	1,886	3,365
Contributions subsequent to the measurement date	10,856	-
Total	<u>\$ 67,499</u>	<u>\$ 27,797</u>

\$10,856 reported as deferred outflows of resources related to pensions resulting from Town contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended December 31, 2018. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

	PLD Plan
Year ended June 30:	
2017	\$ 3,248
2018	5,151
2019	13,993
2020	6,456
2021	-
Thereafter	-

Actuarial Methods and Assumptions

The collective total pension liability for the Plan was determined by an actuarial valuation as of June 30, 2016. Effective with the Plan's 2016 actuarial valuation, various assumptions underlying the valuation were revised. The demographic assumptions are based on an experience study covering the period from June 30, 2012 through June 30, 2015. The investment return and inflation assumptions were revised at the advice of the Plan's investment consultants. The COLA, salary increase, termination, retirement, disability, mortality and disability mortality assumptions were revised based on the experience study. The following methods and assumptions applied to all periods included in the measurement:

TOWN OF HARPSWELL, MAINE
Notes to Financial Statements, Continued

MAINE PUBLIC EMPLOYEES RETIREMENT SYSTEM (Maine PERS) - CONSOLIDATED RETIREMENT PENSION PLAN (CONTINUED)

Actuarial Cost Method

The Entry Age Normal actuarial funding method is used to determine costs. Under this funding method, the total employer contribution rate consists of two elements: the normal cost rate and the unfunded actuarial liability (UAL) rate.

The individual entry age normal method is used to determine liabilities. Under the individual entry age normal method, a normal cost rate is calculated for each employee. This rate is determined by taking the value, as of age at entry into the plan, of the member's projected future benefits, and dividing it by the value, also as of the member's entry age, of his or her expected future salary. The normal cost for each employee is the product of his or her pay and his or her normal cost rate. The normal cost for the group is the sum of the normal costs for all members.

Experience gains and losses, i.e., decreases or increases in liabilities and/or in assets when actual experience differs from the actuarial assumptions, affect the unfunded actuarial accrued liability.

Asset Valuation Method

The actuarial valuation employs a technique for determining the actuarial value of assets which dampens the swing in the market value. The specific technique adopted in this valuation recognizes in a given year one-third of the investment return that is different from the actuarial assumption for investment return.

Amortization

The net pension liability of the PLD Consolidated Plan is amortized on a level percentage of payroll using a method where a separate twenty-year closed period is established annually for the gain or loss for that year.

Significant actuarial assumptions employed by the actuary for funding purposes as of June 30, 2016 are as follows:

Investment Rate of Return - For the PLD Plan, 6.875% per annum, compounded annually.

Salary Increases, Merit and Inflation - Members of the consolidated plan for PLDs, 2.75% to 9.00% per year.

Mortality Rates – For participating local districts, the RP2014 Total Dataset Healthy Annuitant Mortality Table, for males and females, is used. For all recipients of disability benefits, the RP2014 Total Dataset Disabled Annuitant Mortality Table, for males and females, is used.

Cost of Living Benefit Increases - 2.20% for participating local districts.

The long-term expected rate of return on pension plan assets was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major class of assets. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of arithmetic real rates of return for each major asset class included in the pension plan's target asset allocation as June 30, 2015 are summarized in the following table. Assets for the defined benefit plan are comingled for investment purposes.

TOWN OF HARPSWELL, MAINE
Notes to Financial Statements, Continued

MAINE PUBLIC EMPLOYEES RETIREMENT SYSTEM (Maine PERS) - CONSOLIDATED RETIREMENT PENSION PLAN (CONTINUED)

Asset Class	PLD Plan	
	Target Allocation	Long-term Expected Real Rate of Return
US equities	20%	5.7%
Non-US equities	20%	5.5%
Private equity	10%	7.6%
Real assets:		
Real Estate	10%	5.2%
Infrastructure	10%	5.3%
Hard assets	5%	5.0%
Fixed income	25%	2.9%

Discount Rate

The discount rate used to measure the collective total pension liability was 6.875% for 2016. The projection of cash flows used to determine the discount rate assumed that plan member contributions will be made at the current contribution rate and that employer and non-employer entity contributions will be made at contractually required rates, actuarially determined. Based on these assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments to current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

The following table shows how the collective net pension liability/(asset) as of June 30, 2016 would change if the discount rate used was one percentage point lower or one percentage point higher than the current rate. The current rate is 6.875% for the PLD Consolidated Plan.

	1% Decrease	Discount rate	1% Increase
<u>PLD Plan:</u>			
Discount rate	5.875%	6.875%	7.875%
 Town's proportionate share of			
the net pension liability	\$ 185,916	\$ 112,010	\$ 42,430

Changes in Net Pension Liability

Each employer's share of the collective net pension liability is equal to the collective net pension liability multiplied by the employer's proportionate share as of June 30, 2016 as shown in the schedules of employer and non-employer contributing entity allocations. Changes in net pension liability are recognized in pension expense for the year ended June 30, 2016 with the following exceptions:

TOWN OF HARPSWELL, MAINE
Notes to Financial Statements, Continued

MAINE PUBLIC EMPLOYEES RETIREMENT SYSTEM (Maine PERS) - CONSOLIDATED RETIREMENT PENSION PLAN (CONTINUED)

Differences between Expected and Actual Experience

The difference between expected and actual experience with regard to economic or demographic factors were recognized in pension expense using a straight-line amortization method over a closed period equal to the average expected remaining service lives of active and inactive members in each plan. For 2016, this was 4 years for the PLD Consolidated Plan.

Differences between Projected and Actual Investment Earnings

Differences between projected and actual investment earnings were recognized in pension expense using a straight-line amortization method over a closed five-year period. The first year is recognized as pension expense and the remaining years are shown as either deferred outflows of resources or deferred inflows of resources.

Changes in Assumptions

Differences due to changes in assumptions about future economic or demographic factors or other inputs were recognized in pension expense using a straight-line amortization method over a closed period equal to the average expected remaining service lives of active and inactive members in each plan. The actuarial assumptions used for the year ended June 30, 2016 valuation were based on the results of an actuarial experience study for the period of June 30, 2012 through June 30, 2015. Please refer to the Actuarial Methods and Assumptions section for information relating to changes of assumptions. The first year is recognized as pension expense and the remaining years are shown as either deferred outflows of resources or deferred inflows of resources.

Changes in Proportion and Differences between Employer Contributions and Proportionate Share of Contributions

Differences resulting from a change in proportionate share of contributions and differences between total employer contributions and the employer's proportionate share of contributions were recognized in pension expense using a straight-line amortization method over a closed period equal to the average expected remaining service lives of active and inactive members in each plan. Differences between total employer contributions and the employer's proportionate share of contributions may arise when an employer has a contribution requirement for an employer specific liability.

Pension Plan Fiduciary Net Position

Additional financial and actuarial information with respect to the Plan can be found in the MainePERS 2016 Comprehensive Annual Financial Report available online at www.maineopers.org or by contacting the System at (800) 451-9800.

RETIREMENT PLAN – RECYCLING CENTER EMPLOYEES

The IAM National Pension Fund (the Plan) is a multiemployer, cost-sharing defined benefit pension plan governed by a joint Board of Trustees consisting of an equal number of members representing Labor and Management. Non-salaried employees of the Town's recycling center (three employees) are members of a collective bargaining unit whose contract with the Town provides for those employees' participation in the Plan.

TOWN OF HARPSWELL, MAINE
Notes to Financial Statements, Continued

RETIREMENT PLAN – RECYCLING CENTER EMPLOYEES (CONTINUED)

The Town contributes a fixed rate, currently \$2.05, for each hour reported by the employee once the probationary period has been completed, but not later than sixty days after the date of hire. No voluntary contributions by the employees are allowed under the Plan. The contribution rate is established through the collective-bargaining agreement as approved by the Board of Selectmen. The Town's contributions, and therefore its expense, for the years ended December 31, 2017, 2016 and 2015 totaled \$12,103, \$11,427, and \$11,529, respectively.

An employee's monthly pension benefit is determined by the Plan, based on years of credited service, the contribution rate paid by the employer, age at retirement and the form of payment selected by the employee. The Town has no ability to establish or amend benefits under the Plan.

The funds contributed by the Town to the Plan are held in trust by the I.A.M. National Pension Fund for the exclusive use of benefit participants and their beneficiaries. Accordingly, the assets and the liability for the compensation deferred by plan participants, including earnings on plan assets, are not included in the Town's financial statements.

The I.A.M. National Pension Fund prepares an Annual Funding Notice which is available at www.iamnpf.org. The Fund's Annual Report is filed with the Department of Labor and may be obtained at www.efast.dol.gov.

COMMITMENTS

At December 31, 2017, the Town was obligated under contracts for law enforcement, marine patrol, emergency dispatch, dedicated paramedic, planning services, and snow removal services in amounts totaling approximately \$862,000 for various periods through December 31, 2018. Additionally, the Town's contracts relating to the Mitchell Field pier demolition project, which may extend into May 2019, but is likely to be completed in 2018, total approximately \$3,198,000.

GENERAL FUND

The General Fund is the general operating fund of the Town. All general tax revenues and other receipts that are not allocated by law or contractual agreement to another fund are accounted for in this fund. From the fund are paid the general operating expenditures, the fixed charges, and the capital improvement costs that are not paid through other funds.

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TOWN OF HARPSWELL, MAINE
Comparative Balance Sheets
General Fund
December 31, 2017 and 2016

	2017	2016
ASSETS		
Cash and cash equivalents	\$ 4,826,967	4,556,580
Receivables:		
Taxes	381,918	264,253
Tax liens and acquired properties	42,579	52,347
Other	103,123	79,628
Prepaid items	17,830	17,482
Total assets	\$ 5,372,417	4,970,290
LIABILITIES		
Accounts payable and other liabilities	87,411	57,716
Unearned revenue - taxes paid in advance	284,898	16,724
Unearned revenue - other	13,225	18,875
Interfund payables:		
Special Revenue	46,850	51,119
Capital Projects	386,583	642,798
Total liabilities	818,967	787,232
DEFERRED INFLOWS OF RESOURCES		
Unavailable revenue - property taxes	200,000	170,000
Total deferred inflows of resources	200,000	170,000
FUND BALANCE		
Nonspendable:		
Prepaid Insurance	17,830	17,482
Committed:		
	-	-
Assigned	946,934	562,599
Unassigned	3,388,686	3,432,977
Total fund balance	4,353,450	4,013,058
Total liabilities, deferred inflows of resources, and fund balance	\$ 5,372,417	4,970,290

TOWN OF HARPSWELL, MAINE
General Fund
Statement of Revenues, Expenditures and Changes in Fund Balance
Budget and Actual (Budgetary Basis of Accounting)
For the year ended December 31, 2017

		Budgeted amounts			Variance positive (negative)
		Original	Final	Actual	
Revenues:					
Taxes:					
Property taxes	\$	11,811,172	11,811,172	11,827,558	16,386
Change in unavailable revenue		-	-	(30,000)	(30,000)
Interest and fees on property taxes		17,800	17,800	16,813	(987)
Excise taxes and registration fees		1,202,700	1,202,700	1,296,930	94,230
Total taxes		13,031,672	13,031,672	13,111,301	79,629
Intergovernmental:					
State revenue sharing		60,000	60,000	65,751	5,751
Local road assistance URIP		34,000	34,000	35,580	1,580
Homestead exemption and BETE		87,063	87,063	88,437	1,374
Tree growth		10,000	10,000	11,570	1,570
General assistance		7,000	7,000	7,772	772
Veterans exemption		3,000	3,000	3,268	268
Other		5,000	5,000	6,231	1,231
Total intergovernmental		206,063	206,063	218,609	12,546
Miscellaneous:					
Interest earned		9,000	9,000	11,174	2,174
Copies and records		3,000	3,000	3,616	616
Cable TV franchise fee		88,000	88,000	102,865	14,865
Cable technology & capital equipment		11,400	11,400	11,400	-
Licenses, fees and permits		201,700	201,700	222,896	21,196
Fines		800	800	932	132
Recycling center and disposal fees		165,000	165,000	181,035	16,035
Donations and gifts		10,000	10,000	29,114	19,114
Receipts from Harpswell Coastal Academy		10,000	10,000	10,000	-
Tower lease		22,000	22,000	22,470	470
Unclassified		14,000	14,000	18,392	4,392
Total miscellaneous		534,900	534,900	613,894	78,994
Total revenues	\$	13,772,635	13,772,635	13,943,804	171,169

TOWN OF HARPSWELL, MAINE
General Fund
Statement of Revenues, Expenditures and Changes in Fund Balance
Budget and Actual (Budgetary Basis of Accounting), Continued
For the year ended December 31, 2017

For the year ended December 31, 2017							
Article #	Account	Balances carried forward	Budgeted amounts			Variance positive (negative)	Balances carried forward
			Original	Final	Actual		
Expenditures:							
General government:							
15	Elected officials	\$ -	142,437	142,437	141,044	1,393	-
General administration:							
16	Administration	-	267,580	267,580	262,675	4,905	-
16	Public information	-	9,000	9,000	7,741	1,259	-
16	Risk management	-	57,789	57,789	55,408	2,381	-
16	Legal services	-	50,000	50,000	50,918	(918)	-
17	Memberships	-	15,925	15,925	15,925	-	-
18	Assessing	-	80,279	80,279	76,867	3,412	-
19	Tax collector's office	-	36,017	36,017	33,850	2,167	-
20	Town clerk's office	-	53,852	53,852	51,171	2,681	-
21	Treasurer	-	30,388	30,388	29,102	1,286	-
22	Code enforcement	-	134,887	134,887	134,713	174	-
23	Planning	-	72,563	72,563	58,719	13,844	6,000
30	Employee benefits	-	381,791	381,791	344,071	37,720	-
31	Boards and committees	-	7,270	7,270	5,692	1,578	-
Operations and maintenance:							
33	Municipal buildings and property	-	105,400	105,400	104,730	670	-
33	Old town house and commons	-	9,000	9,000	7,048	1,952	-
33	Town dock	-	4,500	4,500	7,646	(3,146)	-
33	Town lands and landings	-	22,500	22,500	11,805	10,695	10,000
33	Cedar/Robinhood Beach easement	-	2,500	2,500	3,409	(909)	-
32	Cemeteries	-	8,860	8,860	6,190	2,670	-
Total general government		-	1,492,538	1,492,538	1,408,724	83,814	16,000
Public works:							
38	Snow removal	-	455,710	455,710	445,590	10,120	-
38	Maintenance & signs	-	68,000	68,000	76,224	(8,224)	-
24	Recycling and transfer station	-	349,023	349,023	342,694	6,329	-
Total public works		-	872,733	872,733	864,508	8,225	-
Protection and safety:							
42,46	Emergency services	-	190,350	190,350	185,275	5,075	-
41	Emergency services - fire assistance	-	124,860	124,860	37,729	87,131	48,000
33	Emergency services building	-	4,100	4,100	2,767	1,333	-
39	Contracted paramedic services	-	283,111	283,111	281,261	1,850	-
47	Street lighting	-	28,000	28,000	26,250	1,750	-
27	Harbor management	-	46,463	46,463	46,395	68	-
26	Animal control	-	24,787	24,787	24,130	657	-
48,49	Law enforcement and communication	-	374,035	374,035	374,035	-	-
52	Marine consultant & conservation mng	-	10,000	10,000	4,602	5,398	-
50,51	Shellfish conservation contract & boat	-	193,612	193,612	193,527	85	-
Total protection and safety		-	1,279,318	1,279,318	1,175,971	103,347	48,000
Health and welfare:							
CF	Health and welfare restricted gift	3	-	3	3	-	-
	Gift Cards	-	-	-	320	(320)	-
53	Health and welfare	-	34,430	34,430	30,533	3,897	-
Total health and welfare		3	34,430	34,433	30,856	3,577	-
Cultural and recreation:							
54	Cultural and education programs	-	47,871	47,871	47,868	3	-
3	Curtis Memorial Library	-	137,104	137,104	137,104	-	-
55	Harpswell Community Broadcasting	-	63,750	63,750	63,750	-	-
28	Recreation - general and festival	-	45,579	45,579	44,045	1,534	-
Total cultural and recreation		-	294,304	294,304	292,767	1,537	-

TOWN OF HARPSWELL, MAINE
General Fund
Statement of Revenues, Expenditures and Changes in Fund Balance
Budget and Actual (Budgetary Basis of Accounting), Continued
For the year ended December 31, 2017

For the year ended December 31, 2017							
Article #	Account	Balances carried forward	Budgeted amounts		Actual	Variance positive (negative)	Balances carried forward
			Original	Final			
Expenditures, continued:							
61	A. Dennis Moore Recycling / Transfer St.	\$ 64,093	40,000	104,093	4,953	99,140	99,140
Other capital / carryovers / reserves:							
CF	Dry hydrant development	12,780	-	12,780	-	12,780	12,780
CF	Land acquisition & Town property improvement	80,762	-	80,762	650	80,112	80,112
CF,61	Vehicle replacement & vehicle equipment	59,690	45,000	104,690	63,000	41,690	41,690
CF	Update of assessing records	20,235	-	20,235	-	20,235	20,235
61	Emergency communication equipment	21,521	2,500	24,021	-	24,021	24,021
CF	Land acquisition map 42, lot 6	3,318	-	3,318	-	3,318	3,318
CF	Boat and motor replacement	38,243	-	38,243	-	38,243	38,243
61	T/O & Facilities Improvements	13,073	10,000	23,073	2,159	20,914	20,914
61	Office equipment	2,500	2,500	5,000	2,500	2,500	2,500
CF	Conservation fund	5,000	-	5,000	-	5,000	5,000
58	Cable related technology account	4,403	5,400	9,803	8,846	957	4,443
56	Public, educational & governmental equipment	-	6,000	6,000	6,000	-	-
CF	Self insurance reserve	1,594	-	1,594	56	1,538	1,538
CF	Heating assistance	44,473	-	44,473	7,843	36,630	54,564
CF	Failed septic systems	22,649	-	22,649	-	22,649	22,649
CF	Cedar Beach/Cedar Island	41,417	-	41,417	-	41,417	-
57	PEG Equipment warranty	-	6,400	6,400	6,400	-	-
STM,CF,34	FEMA Consultant	2,961	105,000	107,961	33,395	74,566	74,566
CF	Energy Conservation	1,431	-	1,431	-	1,431	1,431
59	Property tax assistance program	6,701	5,000	11,701	6,992	4,709	4,709
CF	Pott's Point Town dock system	5,500	-	5,500	5,500	-	-
43	Orr's/Bailey's Island Fire Dept renovations	-	30,914	30,914	-	30,914	30,914
44	Emergency services building	-	100,000	100,000	4,502	95,498	95,498
CF,37	Mitchell Field capital reserve	56,876	150,000	206,876	3,218	203,658	203,658
35	Mitchell Field - operations	-	19,800	19,800	16,835	2,965	-
CF	Mitchell Field - ramp or bandstand donation	1,800	-	1,800	-	1,800	1,800
CF	Mitchell Field - water tower	17,437	-	17,437	9,454	7,983	7,983
CF,35a	Mitchell Field - water tower cell feasibility	10,000	-	10,000	-	10,000	10,000
35	Mitchell Field - contract planning	-	13,000	13,000	2,650	10,350	5,000
CF	Mitchell Field - waterfront planning	17,911	-	17,911	13,786	4,125	-
35	Mitchell Field - demo sediment building	-	7,500	7,500	8,435	(935)	-
Total capital and special projects		556,368	549,014	1,105,382	207,174	898,208	866,706
62	Debt service	-	470,000	470,000	469,517	483	-
CF,60	Contingency	6,228	10,000	16,228	-	16,228	16,228
Total budgeted expenditures		562,599	5,002,337	5,564,936	4,449,517	1,115,419	946,934
Other expenditures:							
Educational appropriation		-	7,744,079	7,744,079	7,744,079	-	-
County tax		-	1,294,498	1,294,498	1,294,498	-	-
Overlay / abatements		-	137,871	137,871	1,468	136,403	-
Total other expenditures		-	9,176,448	9,176,448	9,040,045	136,403	-
Excess (deficiency) of revenues over							
(under) expenditures		(562,599)	(406,150)	(968,749)	454,242	1,422,991	(946,934)
Other financing sources (uses):							
36	Proceeds from bond anticipation note	-	475,000	475,000	475,000	-	-
Transfer to Capital Projects - Mitchell Field Pier		-	(475,000)	(475,000)	(475,000)	-	-
45	Transfer to Emergency Vehicles	-	(100,000)	(100,000)	(100,000)	-	-
29	Transfer to Recreation fund - programs	-	(13,850)	(13,850)	(13,850)	-	-
STM	Use of unassigned fund balance - flood map assistance	-	50,000	50,000	-	(50,000)	-
71	Use of unassigned fund balance - budget	-	470,000	470,000	-	(470,000)	-
63	Use of carryforward balances	562,599	-	562,599	-	(562,599)	-
Total other financing sources (uses)		562,599	406,150	968,749	(113,850)	(1,082,599)	-
Net change in fund balance		-	-	-	340,392	340,392	(946,934)
Fund balance, beginning of year					4,013,058		
Fund balance, end of year				\$ 4,353,450			

1 Balances carried forward include 2017 revenues received for these purposes

2 Revenue received directly applied to capital lease payment

3 Article 35a authorized use of \$10,000 for a cell tower feasibility study from the Mitchell Field capital reserve. There were no expenditures, therefore, the funds revert back to the Mitchell Field capital reserve.

OTHER NONMAJOR GOVERNMENTAL FUNDS

NONMAJOR SPECIAL REVENUE FUNDS

Special revenue funds account for specific resources, the expenditure of which are restricted by law or administrative action for particular purposes.

Special revenue funds are established for the following purposes:

Restricted Grants

The purpose of this fund is to segregate state, federal and private awards whose purpose is restricted by the agency providing the funds.

Recreation

To account for various recreation fees and related expenditures.

NONMAJOR CAPITAL PROJECT FUNDS

Capital projects funds are established to account for resources obtained and expended for the acquisition of major capital facilities and projects.

The Town's individual capital project funds were established for the following purposes:

Emergency Vehicles

To accumulate funds in a dedicated interest bearing account to ultimately purchase emergency vehicles.

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TOWN OF HARPSWELL, MAINE
Other Nonmajor Governmental Funds
Combining Balance Sheet
December 31, 2017

		Special Revenues		Capital Projects	
		Restricted Grants	Recreation	Emergency Vehicles	Totals
ASSETS					
Interfund receivables	\$	381	46,469	195,018	241,868
Total assets	\$	381	46,469	195,018	241,868
Fund balances:					
Restricted:					
Capital projects and grants		381	-	195,018	195,399
Assigned:					
Recreation		-	46,469	-	46,469
Total fund balances	\$	381	46,469	195,018	241,868

TOWN OF HARPSWELL, MAINE
Other Nonmajor Governmental Funds
Combining Statement of Revenues, Expenditures and Changes in Fund Balances
For the year ended December 31, 2017

	Special Revenues		Capital Projects	
	Restricted Grants	Recreation	Emergency Vehicles	Totals
Revenues:				
Grants	\$ 50,726	-	-	50,726
Interest earned	-	-	1,150	1,150
Bandstand donations	-	13,066	-	13,066
Charges for services	-	38,159	-	38,159
Total revenues	50,726	51,225	1,150	103,101
Expenditures:				
For specified purpose	58,395	45,910	413,394	517,699
Bandstand incl performances	-	8,597	-	8,597
Capital outlay	-	7,168	-	7,168
Total expenditures	58,395	61,675	413,394	533,464
Excess (deficiency) of revenues over (under) expenditures	- (7,669)	(10,450)	(412,244)	(430,363)
Other financing sources:				
Transfers from general fund	-	13,850	100,000	113,850
Total other financing sources	-	13,850	100,000	113,850
Net change in fund balances	(7,669)	3,400	(312,244)	(316,513)
Fund balances, beginning of year	8,050	43,069	507,262	558,381
Fund balances, end of year	\$ 381	46,469	195,018	241,868

SCHEDULE

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TOWN OF HARPSWELL, MAINE
Schedule of Taxes and Liens Receivable
For the year ended December 31, 2017

Year	Balance at 12/31/16	2017 Commitment	Supplemental Taxes	Collections	Abatements	Balance at 12/31/17
pre 2002	\$ -	-	-	-	-	-
2005	91	-	-	-	-	91
2006	152	-	-	-	-	152
2007	77	-	-	-	-	77
2008	82	-	-	-	-	82
2009	165	-	-	-	-	165
2010	177	-	-	-	-	177
2011	198	-	-	-	-	198
2012	396	-	-	-	-	396
2013	788	-	-	(61)	-	727
2014	1,004	-	-	-	-	1,004
2015	49,217	-	-	(46,069)	-	3,148
2016	264,253	-	-	(227,891)	-	36,362
2017	-	11,811,172	16,386	(11,444,172)	(1,468)	381,918
	316,600	11,811,172	16,386	(11,718,193)	(1,468)	424,497
						Taxes receivable 381,918
						Tax liens and acquired properties 42,579
Total						\$ 424,497

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Proven Expertise and Integrity

INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL OVER
FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS
BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN
ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

Board of Selectmen
Town of Harpswell
Harpswell, Maine

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, business-type activities, each major fund, and the aggregate remaining fund information of the Town of Harpswell, Maine as of and for the year ended December 31, 2017, and the related notes to the financial statements, which collectively comprise the Town of Harpswell, Maine's basic financial statements, and have issued our report thereon dated January 31, 2018.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered Harpswell, Maine's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Town of Harpswell, Maine's internal control. Accordingly, we do not express an opinion on the effectiveness of the Town of Harpswell, Maine's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

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Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or, significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Town of Harpswell, Maine's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

RHR Smith & Company

Buxton, Maine
January 31, 2018

APPENDIX B

PROPOSED FORM OF LEGAL OPINION

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April 5, 2018

[Underwriter]
[Address]
[City, State Zip]

Attn: _____

Re: Town of Harpswell, Maine - Registered 2018 General Obligation Bonds
in the aggregate principal amount of \$3,500,000.00, dated April 5, 2018

Ladies and Gentlemen:

We have acted as bond counsel in connection with the issuance and sale by the Town of Harpswell (the “Issuer” or “Town”) of the Town’s registered 2018 General Obligation Bonds in the aggregate principal amount of \$3,500,000.00, dated April 5, 2018 (the “Bonds”).

We have examined the law and such certified proceedings and other papers as we deem necessary to render this opinion. In our examination of the foregoing, we have assumed the genuineness of all signatures, the legal capacity of natural persons, the authenticity of all documents submitted to us as certified or photostatic copies and the authenticity of the originals of such copies. As to questions of fact material to our opinion, we have relied upon certified proceedings and other certifications of public officials furnished to us, and we have not undertaken to verify the same by independent investigation.

We have not been engaged or undertaken to review the accuracy, completeness, or sufficiency of any offering material relating to the Bonds, and we express no opinion relating thereto.

The Bonds are dated April 5, 2018, and will bear interest payable on December 15, 2018, and semi-annually thereafter on June 15 and December 15 of each year until maturity, or redemption prior to maturity. The Bonds are issued in the following denominations and principal amounts and will mature on December 15 of each year as reflected hereinbelow:

Year of Maturity	Amount	Interest Rate	Year of Maturity	Amount	Interest Rate
2021	\$195,000		2030	\$195,000	
2022	195,000		2031	195,000	
2023	195,000		2032	195,000	
2024	195,000		2033	195,000	
2025	195,000		2034	195,000	
2026	195,000		2035	195,000	
2027	195,000		2036	195,000	
2028	195,000		2037	190,000	
2029	195,000		2038	190,000	

The Bonds maturing on or before December 15, 2028, are not subject to redemption prior to their stated dates of maturity. Bonds maturing on and after December 15, 2029, are subject to redemption prior to their stated dates of maturity at the option of the Issuer on and after December 15, 2028, upon the terms and conditions stated in the Bonds.

Each of the Bonds should be signed by the Treasurer of the Town, countersigned by a majority of the municipal officers of the Town, sealed with the seal of the Town, and attested to by the Town Clerk, and each should bear the signed certificate of the authenticating agent identified thereon. The Bonds are numbered R-1 through R-18 and issued in fully registered form without coupons and, when issued, will be registered in the name of Cede & Co., as nominee for The Depository Trust Company. Purchases of the Bonds will be made in book-entry form, in the denominations of \$5,000 or any integral multiple thereof.

In expressing the opinions set forth in paragraphs 3 and 5 below, we have examined and relied upon the Issuer's Arbitrage and Use of Proceeds Certificate and the Certificate of the Chairperson of the Board of Selectmen and Treasurer (collectively, the "Tax Certificate") delivered concurrently herewith, which contain representations, certifications, warranties, provisions and procedures regarding compliance with the requirements of the Internal Revenue Code of 1986, as amended (the "Code"). The Issuer, in executing the Tax Certificate, has certified to the effect that the information therein is true and accurate and that the Issuer will comply with the provisions and procedures set forth therein and do and perform all acts and things necessary or desirable in order to ensure that interest paid on the Bonds is excludable from the gross income of the owners thereof for federal income tax purposes. In rendering the opinions set forth in paragraphs 3 and 5, we have relied upon the representations of the Issuer set forth in the Tax Certificate, and we have assumed that the Issuer will comply with the representations, certifications, warranties, provisions and procedures set forth in the Tax Certificate.

We note that the Code establishes certain requirements regarding use, expenditure, and investment of the proceeds of the Bonds and timely payment of certain investment earnings to the U.S. Treasury that must be met subsequent to the issuance and delivery of the Bonds in order that interest on the Bonds be and remain excludable from gross income for federal income tax

purposes pursuant to Section 103 of the Code. Noncompliance with such requirements may cause interest on the Bonds to be included in the gross income of the owners thereof retroactive to the date of issuance of the Bonds, regardless of when such noncompliance occurs.

In formulating our opinion we have made such examination of Maine law and federal tax law as we have deemed relevant for the purposes of this opinion but have not made an independent review of the laws of any other state or jurisdiction. Accordingly, we express no opinion as to the laws of any state or jurisdiction other than the State of Maine and the tax laws of the United States of America.

Based upon the foregoing, we are of the opinion that, under existing law:

1. The Bonds, executed as above described and subject to due authentication, have been duly authorized and are valid and binding general obligations of the Issuer, enforceable in accordance with their terms.
2. Unless paid from other sources, the Bonds are payable as to both principal and interest from limited ad valorem taxes unless certain procedural requirements under 30-A M.R.S. §5721-A are met, in which case such ad valorem taxes may be levied without limit as to rate or amount upon all the property within the territorial limits of the Town and taxable by it, except to the extent that the Town may enter into an agreement under Title 30-A, Chapter 223, Subchapter V of the Maine Revised Statutes, as amended, to share any portion of its assessed valuation with another municipality; and except to the extent that the Town establishes or has established municipal development districts as either tax increment financing districts or municipal affordable housing development districts pursuant to Title 30-A, Chapter 206 and former Chapter 207 of the Maine Revised Statutes, as amended, the captured tax increment of which may not be available for payment of debt service on the Bonds.
3. Based on existing statutes, regulations, and court decisions, interest on the Bonds is excludable from the gross income of the owners thereof for purposes of federal income taxation pursuant to Section 103 of the Code, and is not a specific item of tax preference for purposes of the federal alternative minimum tax imposed on individuals. Interest on the Bonds is taken into account in determining adjusted current earnings for calculating the alternative minimum tax imposed on certain corporations for taxable years that began prior to January 1, 2018. We express no opinion regarding any other federal tax consequences arising with respect to the Bonds.
4. Interest payable on the Bonds is not subject to Maine income taxes imposed upon individuals under existing statutes, regulations, and court decisions. We express no opinion with respect to taxation of the Bonds and the interest thereon under the laws of any state other than the State of Maine.
5. The Bonds will constitute “qualified tax-exempt obligations” under Section 265(b) of the Code.

[Underwriter]
April 5, 2018
Page 4

The foregoing opinions are qualified to the extent that the enforceability of obligations of the Issuer, including the Bonds, may be limited by bankruptcy, moratorium or insolvency or other laws affecting the rights and remedies of creditors generally and are subject to general principles of equity (regardless of whether such enforceability is considered in a proceeding in equity or at law).

We have not examined and assume no responsibility for the financial condition of the Town and nothing set forth herein shall be construed as an assurance as to the Town's financial condition or ability to make payment on the Bonds.

The opinions rendered herein are given as of the date hereof and we assume no obligation to update, revise or supplement such opinions to reflect any facts or circumstances that may hereafter come to our attention or any changes in law that may hereafter occur.

Very truly yours,

DRUMMOND WOODSUM & MACMAHON

APPENDIX C

**PROPOSED FORM
OF
CONTINUING DISCLOSURE AGREEMENT**

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**TOWN OF HARPSWELL, MAINE
PROPOSED FORM OF
CONTINUING DISCLOSURE AGREEMENT**

In connection with the issuance by the Town of Harpswell, Maine (the “Issuer”) of its \$3,500,000 2018 General Obligation Bonds, dated as of April 5, 2018 (the “Bonds”) and with reference to the continuing disclosure requirements of Rule 15c2-12 under the Securities and Exchange Act of 1934, as amended, and officially interpreted from time to time (the “Rule”), the Issuer hereby covenants under this Continuing Disclosure Agreement (the “Agreement”) that it will engage in the undertakings described in Paragraphs 1, 2 and 3 herein for the benefit of the beneficial owners of the Bonds, subject to the conditions and limitations specified herein. Under the Agreement, the Issuer is obligated to provide certain updated financial information and operating data annually, and timely notice of specified material events, to the Municipal Securities Rulemaking Board established under the Securities and Exchange Act of 1934, as amended, or any successor thereto (the “MSRB”). This information will be available from the MSRB via its Electronic Municipal Market Access (“EMMA”) system at www.emma.msrb.org. The Issuer incorporates by reference its Official Statement dated March 20, 2018 relating to the Bonds (the “Official Statement”), which will be submitted to the MSRB, as hereinafter defined, at the time of delivery of the Bonds, in any future disclosure provided hereunder.

1. The Issuer will provide to the MSRB: (a) not later than 270 days after the end of each fiscal year, commencing with the fiscal year ending December 31, 2018, certain updated financial information and operating data relating to the Issuer for the preceding fiscal year of the type presented in the Official Statement prepared in connection with the Bonds under the headings “TOWN FINANCES,” “INDEBTEDNESS,” “RETIREMENT” and in APPENDIX A to the Official Statement and such other financial information and operating data as may be required to comply with the Rule; and (b) the updated information discussed in clause (a) above will include audited financial statements, if the Issuer commissions an audit and it is completed by the required time. If audited financial statements are not available by the required time, the Issuer will provide audited financial statements when and if such audited financial statements become available. Such filings, if not completed by the required time in (a) above, but if filed when available, will not be deemed to be a “late filing”. Any such financial statements will be prepared in accordance with the accounting principles described in APPENDIX A to the Official Statement or such other accounting principles as the Issuer may be required to employ from time to time pursuant to State law or regulation.

The Issuer reserves the right to modify from time to time the specific types of information provided under clause (a) above or the format of the presentation of such information to reflect changed circumstances, provided that any such modification will be done in a manner consistent with the Rule.

2. The Issuer will provide in a timely manner, not in excess of ten (10) business days, after the occurrence of an event listed in this Section 2 to the MSRB through EMMA (in an electronic format as prescribed by the MSRB) notice of the occurrence of any of the following events with respect to the Bonds.

(a) Certain events whether material or not material:

- (1) Principal and interest payment delinquencies;
- (2) Unscheduled draws on debt service reserves reflecting financial difficulties;
- (3) Unscheduled draws on credit enhancements reflecting financial difficulties;
- (4) Substitution of credit or liquidity providers, or their failure to perform;
- (5) Adverse tax opinions or events affecting the tax-exempt status of the Bonds, the issuance by the Internal Revenue Service of Proposed Issue (IRS Form 5701-TEB) or other material notices of determinations with respect to the tax status of the Bonds, or other material events affecting the tax status of the Bonds;
- (6) Tender offers;

- (7) Defeasances;
- (8) Rating changes;
- (9) Bankruptcy, insolvency, receivership or similar event of the Issuer (Note: For the purposes of the event identified in paragraph 1, the event is considered to occur when any of the following occur: The appointment of a receiver, fiscal agent or similar officer for the Issuer in a proceeding under the United States Bankruptcy Code or in any other proceeding under state or federal law in which a court or governmental authority has assumed jurisdiction over substantially all of the assets or business of the Issuer, or if such jurisdiction has been assumed by leaving the existing governing body and officials or officers in possession but subject to the supervision and orders of a court or governmental authority, or the entry of an order confirming a plan of reorganization, arrangement or liquidation by a court or governmental authority having supervision or jurisdiction over substantially all of the assets or business of the Issuer.);

(b) Certain events if material:

- (1) Non-payment related defaults;
- (2) Modifications to the rights of holders of the Bonds;
- (3) Bond calls;
- (4) The release, substitution, or sale of property securing repayment of the Bonds;
- (5) The consummation of a merger, consolidation, or acquisition involving the Issuer or the sale of all or substantially all of the assets of the Issuer, other than in the ordinary course of business, the entry into a definitive agreement to undertake such an action or the termination of a definitive agreement relating to any such actions, other than pursuant to its terms; and
- (6) Appointment of a successor or additional trustee or the change of name of a trustee.

The Issuer from time to time may choose to provide notice of the occurrence of certain other events, in addition to those listed above, but the Issuer does not undertake to commit to provide any such notice of the occurrence of any material event except those listed above.

- 3. The Issuer will provide in a timely manner to the MSRB notice of a failure to satisfy the requirements of Paragraph 1 herein.
- 4. The intent of the Issuer's undertaking in this Agreement is to provide on a continuing basis the information described in the Rule. The provisions of the Agreement may be amended by the Issuer without the consent of, or notice to, any beneficial owners of the Bonds, (a) to comply with or conform to the provisions of the Rule or any amendments thereto or authoritative interpretations thereof by the Securities and Exchange Commission ("SEC") or its staff (whether required or optional), (b) to add a dissemination agent for the information required to be provided by such undertakings and to make any necessary or desirable provisions with respect thereto, (c) to add to the covenants of the Issuer for the benefit of the beneficial owners of the Bonds, (d) to modify the contents, presentation and format of the financial information from time to time as a result of a change in circumstances that arises from a change in legal requirements, or (e) to otherwise modify the undertakings in a manner consistent with the requirements of the Rule concerning continuing disclosure; provided, however, that in the case of any amendment pursuant to clause (d) or (e), (i) the undertaking, as amended, would have complied with the requirements of the Rule at the time of the offering of the Bonds, after taking into account any amendments or authoritative interpretations of the Rule, as well as any change in circumstances, and (ii) the amendment does not materially impair the interests of the beneficial owners of the Bonds, as determined either by a party unaffiliated with the Issuer (such as bond counsel), or by the vote or consent of beneficial owners of a majority in outstanding principal amount of the Bonds affected thereby at or prior to the time of such amendment.

Furthermore, the Issuer's obligations under this Agreement shall terminate upon the legal defeasance, prior redemption or payment of in full of all of the Bonds or to the extent that the Rule, as in effect from time to time, no longer requires the issuers of municipal securities to provide all or any portion of

the information the Issuer has agreed to provide pursuant to the Agreement, the obligation of the Issuer to provide such information also shall cease immediately.

5. The purpose of the Issuer's undertaking is to conform to the requirements of the Rule and, except for creating the right on the part of the beneficial owners of the Bonds, from time to time, to specifically enforce the Issuer's obligations hereunder, not to create new contractual or other rights for any beneficial owner of the Bonds, any municipal securities broker or dealer, any potential purchaser of the Bonds, the SEC or any other person. The sole remedy in the event of any actual or alleged failure by the Issuer to comply with any provision herein shall be an action for the specific performance of the Issuer's obligations hereunder and not for money damages in any amount. Any failure by the Issuer to comply with any provision of this undertaking shall not constitute an event of default with respect to the Bonds.
6. Except as disclosed in its Official Statement, the Issuer has never failed to comply in all material respects with any previous undertakings to provide financial information or notices of material events in accordance with the Rule.
7. The Issuer's Treasurer, or such official's designee from time to time, shall be the contact person on behalf of the Issuer from whom the foregoing information, data and notices may be obtained. The name, address and telephone number of the initial contact person is: Marguerite M. Kelly, Treasurer, Town of Harpswell, 263 Mountain Road, PO Box 39, Harpswell, ME 04079-0039; *mkelly@town.harpswell.me.us*; Telephone: (207) 833-5771.

Dated: _____, 20__

TOWN OF HARPSWELL, MAINE

By: _____

Its: _____

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